EMBER RESOURCES INC.

EMBER IS ONE OF CANADA'S LEADING COALBED METHANE (CBM) PRODUCERS, EXTRACTING NATURAL GAS FROM COAL AND WORKING TO PIONEER TECHNOLOGIES TO UNLOCK THE TREMENDOUS CBM POTENTIAL ON ITS LANDS.

Natural gas is an increasingly important source of energy in North America; one reason is that it is the cleanest-burning of the hydrocarbon-based fuels. And when it comes to natural gas, CBM has distinct advantages for long-term development. Ember is capitalizing on those advantages, building its production base and turning huge coal resources into gas reserves.

2007 ANNUAL REPORT

EMBER RESOURCES

2007 HIGHLIGHTS

	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
FINANCIAL *(000s except per share amounts)*						
Natural gas sales	$ 3,890	$ 3,784	3	**$ 13,338**	$ 10,414	28
Funds from operations (1)	$ 1,552	$ 2,056	(25)	**$ 6,094**	$ 4,627	32
– per share basic and diluted	$ 0.04	$ 0.07	(43)	**$ 0.17**	$ 0.15	13
Net income (loss)	$ 1,186	$ (300)	495	**$ 44**	$ (3,512)	101
– per share basic and diluted	$ 0.03	$ (0.01)	400	**$ 0.00**	$ (0.12)	100
Capital investment additions	$ 7,178	$ 6,053	19	**$ 21,008**	$ 34,887	(40)
Property acquisition	$ (173)	$ -	N/A	**$ 8,633**	$ -	N/A
Total assets	$ 108,315	$ 82,410	31	**$ 108,315**	$ 82,410	31
Net debt	$ 19,681	$ 11,095	77	**$ 19,681**	$ 11,095	77
Shares outstanding	36,103	30,415	19	**36,103**	30,415	19
OPERATING *(000s except per unit amounts)*						
Daily average gas production *(mcf/d)*	7,175	6,107	17	**5,829**	4,655	25
Daily average production *(boe/d)*	1,196	1,018	17	**971**	776	25
Average sales price *($/mcf)*	5.89	6.74	(13)	**6.27**	6.13	2
Royalties *($/mcf)*	0.53	0.40	33	**0.44**	0.62	(29)
Operating expenses *($/mcf)*	1.71	1.36	26	**1.33**	1.54	(14)
Transportation expenses *($/mcf)*	0.19	0.19	-	**0.20**	0.21	(5)
Operating netback *($/mcf)* (1)	3.46	4.79	(28)	**4.30**	3.76	14
Operating netback *($/boe)* (1)	20.80	28.71	(28)	**25.89**	22.51	14
CBM wells drilled *(gross/net)*	17.0/16.5	1.0/1.0	1,600/1,550	**41.0/37.3**	28.0/27.5	46/36
– Mannville	- / -	1.0/1.0	(100)/(100)	**1.0/1.0**	4.0/3.5	(75)/(71)
– Horseshoe Canyon	17.0/16.5	- / -	N/A	**40.0/36.3**	24.0/24.0	67/51
Land *(000s of net acres)*	285	292	(2)	**285**	292	(2)

(1) *See "Non-GAAP Measurements".*

2007 RECOGNITION

Oilweek Annual Report Awards

Emerging Oil & Gas Class "AA"

Best in Class Financial Statements and Analysis

EnergyTV Awards

Top Unconventional Gas Producer

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BUILDING OUR BUSINESS

DISTINCT ADVANTAGES
CBM VERSUS CONVENTIONAL GAS

- **Resource Play:** CBM is considered an unconventional resource play as the natural gas is contained in coal seams extending across large areas. With a conventional gas play, reserves are found in distinct reservoirs. A resource play tends to have less geological risk, but requires the application of technology to extract the gas.
- **Long Reserve Life:** CBM wells produce over many years. Ember's shallow Horseshoe Canyon wells are expected to produce for 25 years or more. By contrast, conventional shallow gas wells have a production life of about 6 – 10 years.
- **Predictable Production:** CBM wells in the Horseshoe Canyon coals are both stable and predictable. The wells reach peak production soon after drilling and decline modestly in the early years with lower declines in later life. By comparison, most conventional gas wells start out with high production rates but decline rapidly.
- **Low Risk, Low Cost:** Wells in the Horseshoe Canyon coal trend are drilled to 150 – 700 metres. At that shallow depth and with the relatively simple geology, drilling risk is very low. Ember has recorded 100% success on its Horseshoe Canyon drilling over the past three years, with only one well junked due to completion problems.
- **Upside Through Technology:** Advances in technology can make a big difference in the amount of gas recovered through CBM. Ember expects to recover 30 – 50% of gas-in-place from its Horseshoe Canyon coals. Any new technology, or infill drilling, that even moderately increases that recovery leads to very strong reserve growth on the existing land base.

OUR STRATEGY
NEAR AND LONG-TERM GROWTH

- **Two Coal Plays:** Ember pursues CBM production from two separate coal trends: two commercial projects produce from the Horseshoe Canyon coal trend and two projects are being advanced to commercialization in the more technically complex Mannville coals.
- **Near-term Growth:** Over the next few years, Ember's growth will come from Horseshoe Canyon CBM, a low cost, low risk strategy for building a base of production and cash flow.
- **Longer-term Development:** The Mannville coals are being pursued for their higher rates of production and the vast resource underlying three of Ember's core areas. These more technically complex coals must first produce water associated with the gas for 6 – 24 months before reaching peak production. Ember's two Mannville projects have been evaluated and exhibit reservoir characteristics that should allow for 50 – 70% recovery.
- **Advancing the Mannville:** To date, Ember and other Mannville CBM participants have encountered wellbore damage caused by the drilling process. Operators continue to apply alternate drilling and completion technologies to eliminate that damage and unlock the vast potential of the Mannville resources. Ember continues to monitor technological advancements in industry that may become applicable to this reservoir for incorporation into its programs.
- **Land Retention:** As a resource play with large-scale drilling required, a good land retention strategy is critical. Ember's drilling programs together with selective land purchases are designed to retain Ember's resource base over the long term.
- **Building Core Production:** Last year's production was up 25% from 2006 averaging 5.8 mmcf/d. This year's volumes are expected to increase another 55% based on a target average of 9.0 mmcf/d for 2008. All of this growth will come from two large development projects in the Horseshoe Canyon coals at Acme and Fenn-Big Valley.

CHAIRMAN'S MESSAGE

IN TODAY'S ENVIRONMENT, A COMPANY WITH LAND AND DRILLING INVENTORY IN HAND, CASH FLOW TO ADD PRODUCTION, TECHNICAL EXPERTISE AND EXPERIENCED MANAGEMENT HAS A DISTINCT ADVANTAGE. EMBER HAS THIS ADVANTAGE.

A key milestone was reached when Ember acquired CBM lands at Acme and launched a drilling campaign that saw the property come onstream within the year. A full-scale drilling program is set for 2008 which will continue the momentum in production growth.

OUR STRATEGY

Last year and into 2008 our main focus is on building our production base through development of our Horseshoe Canyon coals – low risk, low cost drilling that provides immediacy in terms of cash flow and production growth. This strategy was adopted last spring when we looked at the industry environment at the time. While gas prices have surged in recent weeks, low prices dominated last year and were exacerbated by the run-up in the Canadian dollar. That was on top of the lack of access to capital facing the industry, just one of the repercussions of the federal government's decision to tax income trusts directly announced in late 2006. Our tact was to live within cash flow while maintaining our operational momentum.

At the same time, we elected to defer capital spending in our Mannville projects, instead, investing intellectual capital. We continue to see encouraging results with a number of wells demonstrating the reservoir characteristics and the ability of the coals to produce at economic rates. This year, to accelerate development of our Mannville resources, we are looking at various options including, but not limited to, joint ventures with third parties. We will be exploring a number of scenarios over the next several months with the goal of unlocking value for our shareholders.

BUILDING PRODUCTION – HORSESHOE CANYON

In March 2007 we acquired operatorship in a CBM property at Acme, located on a large Horseshoe Canyon coal fairway. By early November, the Acme project was brought on production under budget by at least $1 million and one month ahead of schedule. We had successfully drilled and/or completed and tied in 31 wells (29.1 net) to a gas plant owned and operated by AltaGas Income Trust, and which was constructed to handle our CBM volumes at Acme.

The plant has been fully commissioned and our Acme production is now approximately 3.5 mmcf/d. With additional plant capacity available, the drilling campaign in 2008 will see up to 55 wells drilled (30 net) at Acme. This round of drilling will include completing wells in both CBM zones and conventional sands in order to co-mingle and maximize production.

Our second Horseshoe Canyon project at Fenn-Big Valley currently accounts for about 65% of our corporate production and remains a focus of low risk, low cost drilling. With our emphasis on getting Acme up and running last year, we drilled only 17 wells (14.8 net) at Fenn-Big Valley. This year we are planning a program of up to 10 net wells while we expand production at Acme.

FUTURE UPSIDE – MANNVILLE COALS

The Mannville coals are deeper and more technically challenging than the Horseshoe Canyon trend, but they remain an important strategic focus for their higher rates of production and the huge resource potential in three of our core areas. For example, one commercial project in Alberta, the only one to date, is producing 85 mmcf/d from approximately 150 wells.

Ember operates Mannville projects in two core areas, and our independent reserve evaluators estimate the Company's share of technically recoverable gas resources in the range of 88 – 423 bcf. In the current gas price environment, we are intent on maintaining our Mannville resource base, but are limiting capital expenditures and targeting selective land purchases.

Over the next few months we will be exploring various options to advance our Mannville resources to commercialization. At the same time, we are continuing to monitor technologies in use by other operators in the Mannville and in other CBM production areas which could be applied to our own Mannville resources.

CHANGES TO ALBERTA ROYALTIES

In October 2007, the Alberta government announced changes to royalties on oil and natural gas production in the province to be effective in 2009. Under this review, one of the government's objectives was to encourage what it believes to be important future industries, notably the oil sands and CBM. As a result, Ember does stand to benefit with royalties declining 50% on Horseshoe Canyon production to 5% at prices up to $9.50/mcf. At $11.50/mcf the royalty rate would remain at the current level of 9%. In addition, a sensitivity case run on the 2007 year-end reserves resulted in an overall increase in the Company's share of net present value of approximately 6%, further benefiting Ember as a CBM company.

2008 GUIDANCE – FURTHER PRODUCTION GROWTH

Strong production growth is again forecast for this year. Based on a capital budget of $15 million, we are forecasting over 50% production growth to an average 9.0 mmcf/d for the year. Once again, our drilling campaign will focus on low risk, low cost Horseshoe Canyon CBM wells at Acme and Fenn-Big Valley. We are looking at drilling 30 – 35 net wells in these areas.

It should be noted that with the uncertainty in both natural gas and capital markets, the Board is taking a conservative approach to capital spending by staying within Ember's current cash flow and balance sheet capabilities. At the same time, we expect to improve debt to cash flow ratios quarter by quarter, with year-end 2008 net debt estimated at $20.6 million or approximately 1.5 times annual cash flow. Based on current strip prices, cash flow is estimated at $13.3 million or $0.37/share.

Until we see a sustained lift in gas prices, the main strategy for growth will be in our Horseshoe Canyon coals. We will continue to develop our two projects over the next few years based on a 200-well drilling inventory. In our Mannville assets, we are very encouraged by the potential across our lands, and we are seeking a new strategy to advance development and turn the extensive resource base into reserves for the benefit of shareholders.

On behalf of the Board

Douglas Dafoe
Chairman and Chief Executive Officer

March 20, 2008

OUR RESOURCE BASE

EMBER HAS FOUR CORE AREAS TAPPING THE CBM POTENTIAL IN TWO SEPARATE COAL TRENDS, EACH WITH UNIQUE PRODUCTION CHARACTERISTICS.

MANNVILLE COALS (MANOLA/ROSALIND/FENN-BIG VALLEY)

A wide belt of Mannville coals is found across central Alberta. These deeper coals are considered "wet". New wells must be de-watered – the saline water stored in the coal seam must be produced over six months to two years before wells reach peak gas production. Mannville wells can produce on average 200 – 500 mcf/d and have recoveries of 0.5 – 1.0 bcf. The industry's first commercial Mannville project was announced in July 2005 at Corbett Creek.

Ember in the Mannville

- Two key project areas advancing to commercialization
- 0.92 tcf of CBM resource-in-place
- 197,000 undeveloped net acres on trend

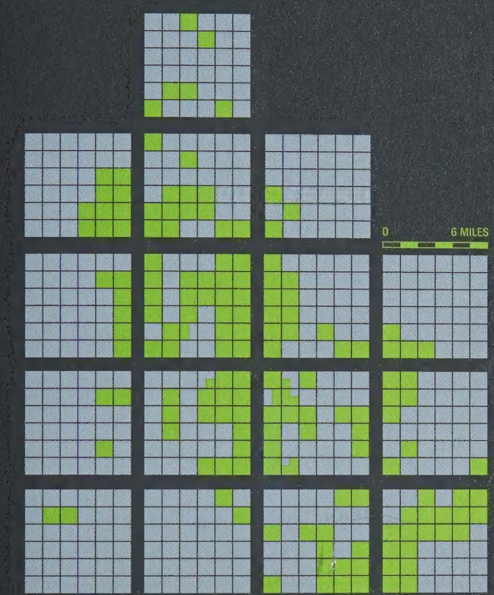
HORSESHOE CANYON COALS (FENN-BIG VALLEY/ACME)

These shallow coals in central Alberta are "dry", meaning little or no water is associated with gas production. The drilling and completion risk is low and, with consistent drilling, these coals generate predictable production growth. Production is in the range of 50 – 125 mcf/d with recoveries of 0.15 – 0.4 bcf.

Ember in the Horseshoe Canyon

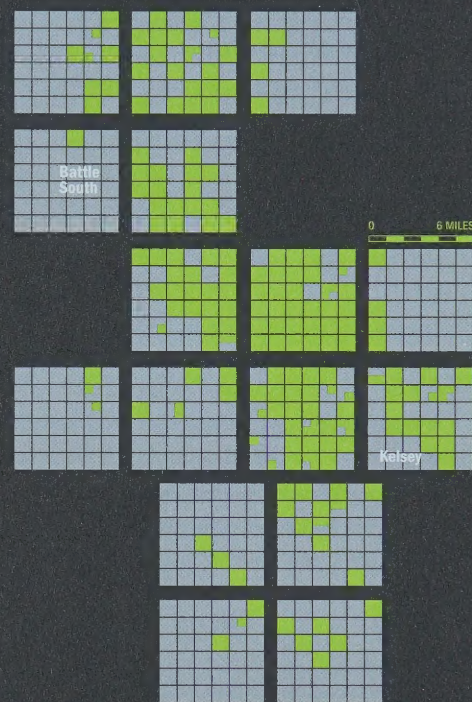
- Two commercial project areas
- Current production 8,500 mcf/d
- 59 bcf 3P recoverable sales gas
- 51 bcf proved plus probable reserves
- 54,000 net acres on trend
- 2007 finding and development costs $11.79/boe (including future capital, proved plus probable)
- Recycle ratio approximately 2.2

EMBER LAND



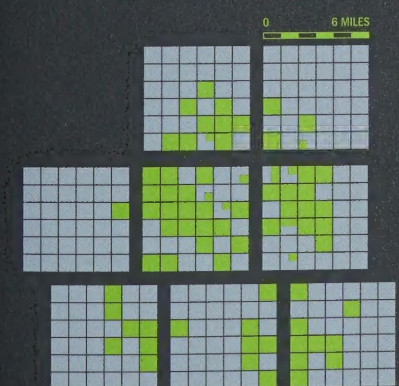
MANOLA

Production and pressure data has been gathered from 10 horizontal and five vertical wells. Analysis indicates good reservoir permeability even with damage caused by drilling. Ember is reviewing alternative techniques to alleviate this damage.



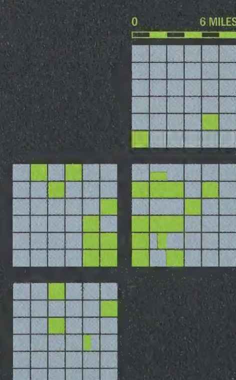
ROSALIND

Ember will monitor three existing horizontal wells in 2008 and will look to increase its core land positions. Data gathered to date indicates good reservoir parameters that will allow for future development.



FENN-BIG VALLEY

Commercial development is ongoing with over 140 wells on production and another 85 in inventory. Ember will drill up to 10 net wells in 2008.



ACME

On production in November 2007 and currently producing 3.5 mmcf/d. Ember will drill up to 30 net wells in 2008.

PROPERTY REVIEW

HORSESHOE CANYON COALS

The Horseshoe Canyon coals have proven to yield low cost reserve additions and the capability of steady production growth. Ember has two focus areas, Fenn-Big Valley and the Acme property acquired in 2007. Both are operated by Ember at high working interests, with more than 200 net Horseshoe Canyon drilling locations in inventory.

Acme

Ember was able to execute an ambitious program in 2007 that saw 23 new wells drilled and 31 (29 net) wells tied-in to a new facility constructed by AltaGas Income Trust. Production began in late November and stood at 3 mmcf/d at year end.

2008 development plans include the drilling of up to 30 net wells in the area to optimize utilization of the 10 mmcf/d gas facility. These will be drilled in the first, third and fourth quarters of 2008 and grow production significantly during the year.

Fenn-Big Valley

A large development project is ongoing at Fenn-Big Valley, with the technical team at Ember having worked the area's Horseshoe Canyon coals since 2003. Production in 2007 averaged approximately 5.2 mmcf/d.

To date, 87 (85 net) wells have been drilled and another 85 are in inventory. In 2008, Ember plans to drill up to 10 net wells in the area.

MANNVILLE COALS

In 2007 Ember limited new investment into Mannville coals due to weak natural gas prices and falling capital markets. Technically, Ember has increased its confidence in the reservoir's long-term value through evaluation of our existing wells and available industry data.

Rosalind

Three horizontal wells in the area continue to be monitored for data. The most recent well, drilled in October 2007, reached peak gas production in excess of 200 mcf/d and continues to de-water. Development of a larger area will yield higher sustained rates by improving containment of the reservoir resulting in improved area depressuring.

Manola

Ember has drilled 10 horizontal wells in the area to date. While reservoir characteristics have been identified that would lead to a development project, Ember has encountered inconsistency of productivity due to wellbore damage. Ember has shut-in the field at this time to reduce operating costs and monitor pressure build-ups. Further review continues into alternative drilling and completion techniques that will result in the consistency required to de-water the coals.

LAND HOLDINGS

	Developed		Undeveloped		Total	
December 31, 2007 *(acres)*	Gross	Net	Gross	Net	Gross	Net
Ember CBM rights						
Acme	6,400	5,327	10,506	6,605	16,906	11,933
Fenn-Big Valley	28,800	27,560	25,669	23,065	54,470	50,625
Manola	2,560	5,560	99,840	98,226	102,400	100,786
Matziwin	–	–	32,320	29,379	32,320	29,379
Rosalind	2,560	1,600	110,729	90,421	113,289	92,021
Total	**40,320**	**37,048**	**279,064**	**247,697**	**319,384**	**284,744**

DRILLING ACTIVITY

The following table sets forth the gross and net CBM wells in which Ember participated during the year ended December 31, 2007.

	2007		2006	
	Gross	**Net**	Gross	Net
Acme	**23**	**21.5**	–	–
Fenn-Big Valley	**17**	**14.8**	24	24.0
Manola	**1**	**1.0**	3	3.0
Rosalind	**–**	**–**	1	0.5
Total	**41**	**37.3**	28	27.5

PRODUCTION VOLUME BY FIELD

The following table indicates the average daily production from each of the Corporation's core properties for the year ended December 31, 2007.

	December 31, 2007			December 31, 2006		
	Natural gas *(mcf/d)*	BOE *(boe/d)*	%	Natural gas *(mcf/d)*	BOE *(boe/d)*	%
Acme	**356**	**59**	**6.1**	–	–	–
Fenn-Big Valley	**5,255**	**876**	**90.2**	4,118	686	88.5
Manola	**147**	**24**	**2.5**	456	76	9.8
Rosalind	**71**	**12**	**1.2**	81	13	1.7
Total	**5,829**	**971**	**100.0**	4,655	775	100.0

RESERVES – FORECAST PRICES AND COSTS

The following table sets forth Ember's reserves at December 31, 2007 as evaluated by Sproule Associates Limited and McDaniels & Associates Consultants Ltd.

Summary of Oil and Gas Reserves

Natural gas *(mmcf)*	Gross reserves	Net reserves
Proved		
Developed producing	14,548	12,904
Developed non-producing	386	329
Undeveloped	16,376	13,621
Total proved	**31,311**	**26,854**
Probable	19,964	17,201
Total proved plus probable	**51,275**	**44,054**
Possible	8,063	6,904
Total proved plus probable plus possible	**59,338**	**50,959**

Net Present Value of Future Net Revenue of Oil and Gas Reserves

	Before future income tax expenses and discounted at				
($000s)	0%	5%	10%	15%	20%
Proved					
Developed producing	66,403	55,975	48,214	42,313	37,722
Developed non-producing	1,630	1,327	1,105	937	808
Undeveloped	43,321	28,491	18,562	11,755	6,972
Total proved	**111,354**	**85,793**	**67,880**	**55,005**	**45,503**
Probable	74,417	46,094	29,322	18,945	12,248
Total proved plus probable	**185,771**	**131,888**	**97,202**	**73,949**	**57,751**
Possible	35,837	20,376	12,284	7,777	5,110
Total proved plus probable plus possible	**221,608**	**152,264**	**109,487**	**81,726**	**62,861**

	After future income tax expenses and discounted at				
($000s)	0%	5%	10%	15%	20%
Proved					
Developed producing	66,403	55,975	48,214	42,313	37,722
Developed non-producing	1,630	1,327	1,105	937	808
Undeveloped	43,321	28,491	18,562	11,755	6,972
Total proved	**111,354**	**85,793**	**67,880**	**55,005**	**45,503**
Probable	60,126	37,722	24,223	15,733	10,165
Total proved plus probable	**171,480**	**123,515**	**92,103**	**70,737**	**55,667**
Possible	27,309	15,522	9,352	5,916	3,879
Total proved plus probable plus possible	**198,789**	**139,037**	**101,455**	**76,653**	**59,546**

Net Present Value of Future Net Revenue of Oil and Gas Reserves with Proposed Changes to Alberta Royalties

	Before future income tax expenses and discounted at				
($000s)	0%	5%	10%	15%	20%
Proved					
Developed producing	68,428	57,610	49,574	43,471	38,726
Developed non-producing	1,702	1,387	1,155	981	846
Undeveloped	46,286	30,968	20,670	13,578	8,570
Total proved	**116,416**	**89,965**	**71,399**	**58,030**	**48,142**
Probable	78,081	48,852	31,452	20,629	13,611
Total proved plus probable	**194,497**	**138,817**	**102,851**	**78,659**	**61,753**
Possible	37,382	21,512	13,157	8,474	5,685
Total proved plus probable plus possible	**231,879**	**160,329**	**116,008**	**87,133**	**67,438**

Reserve Reconciliation – Gross Company

Gross reserves *(mmcf)*	Total proved	Proved plus probable	Proved plus probable plus possible
Natural gas			
December 31, 2006	15,026	27,402	40,609
Extensions	2,143	3,467	3,720
Improved recovery	–	–	–
Technical revisions	1,990	(5,005)	(16,577)
Discoveries	–	–	–
Acquisitions	14,153	27,434	33,611
Dispositions	–	–	–
Economic factors	(1)	(22)	(24)
Production	(2,000)	(2,000)	(2,000)
December 31, 2007	**31,311**	**51,275**	**59,338**

FINDING AND DEVELOPMENT COSTS

	Horseshoe Canyon Coals[3]		Mannville Coals[4]		Total Company	
	(1)	(2)	(1)	(2)	(1)	(2)
December 31, 2005						
Proved	$ 16.84	$ 14.69	$ 456.70	$ 456.70	$ 57.25	$ 55.31
Proved plus probable	$ 9.77	$ 7.48	$ 86.00	$ 98.90	$ 27.89	$ 29.24
December 31, 2006						
Proved	$ 14.90	$ 14.72	$ 144.90	$ 147.30	$ 26.40	$ 26.44
Proved plus probable	$ 11.66	$ 12.49	$ 24.40	$ 42.60	$ 15.63	$ 21.84
December 31, 2007						
Proved	**$ 7.59**	**$ 14.30**	**N/M**	**N/M**	**$ 9.66**	**$ 16.54**
Proved plus probable	**$ 4.62**	**$ 11.79**	**N/M**	**N/M**	**$ 6.84**	**$ 11.81**
3-year average						
Proved	$ 10.33	$ 14.44	N/M	N/M	$ 19.41	$ 23.48
Proved plus probable	$ 6.62	$ 11.45	N/M	N/M	$ 12.47	$ 17.27

(1) *Finding and development costs ($/boe) before future capital.*

(2) *Finding and development costs ($/boe) including future capital.*

(3) *Capital expenditures for Horseshoe Canyon coals ($ millions): 2007 – 24.2, 2006 – 18.0, 2005 – 8.4.*

(4) *Capital expenditures for Mannville coals ($ millions): 2007 – 5.4, 2006 – 16.9, 2005 – 22.9.*

(5) *N/M – not meaningful.*

CONTINGENT RESOURCE ESTIMATE

In addition to conducting a reserve evaluation for the year ended December 31, 2007, the Company retained Sproule Associates Limited ("Sproule"), an independent engineering firm, to provide an estimate of CBM contingent resources for Ember's undeveloped lands. Due to technical and economic uncertainty these resources are categorized as contingent at this time. The contingencies in this classification include, but are not limited to: productivity, capital costs, operating costs, future gas prices and project timing. Ember's strategy is to convert these contingent resources into the reserve category by demonstrating their commercial viability.

Mannville Coals

Original gas-in-place ("OGIP") for each section was estimated volumetrically based on net pay from existing logs. Gas contents specific to each area were then applied to provide OGIP estimates. Variations in the assignment of OGIP in the low, best and high cases were based on the inclusion of individual coal seams as follows:

The low case OGIP calculation includes the net pay in the major seam of an area of potential development. The recovery factor is then estimated based on engineering judgement for each area. The recovery factors assigned in the low case range from 5% – 25%.

The best case OGIP calculation considers the net pay from the major and secondary coal seams where the secondary coal seam was greater than 0.9 m in thickness. The recovery factors assigned in the best case range from 20% – 35%.

The high case calculation of OGIP includes all coals seams greater than 0.9 metres in thickness. The recovery factors assigned in the high case range from 40% – 50%. The report then estimates contingent resources based on calculated OGIP and assigned recovery factors.

The following table summarizes Sproule's Contingent Resource Estimates as at December 31, 2007:

	Company interest original gas-in-place *(bcf – raw)*			Company interest technically recoverable sales gas *(bcf – sales)*		
Area/Prospect	*Low*	*Best*	*High*	*Low*	*Best*	*High*
Mannville coals						
Fenn-Big Valley	33.7	57.1	77.9	1.6	10.8	29.6
Manola	215.2	343.9	427.2	50.0	112.0	198.7
Rosalind	196.6	309.2	418.8	36.6	86.4	195.1
Total Mannville	**445.5**	**710.2**	**923.9**	**88.3**	**209.2**	**423.3**

CBM development at Corbett Creek (located approximately 40 kilometres northwest of Ember's Manola property), operated by Trident Exploration Corp. and Nexen Inc., is currently the only commercial project in Alberta producing CBM gas from the Mannville coal. Current production in the Corbett area is above 85 mmcf/d from approximately 150 wells. The Corbett Creek project represents the nearest analogous project with commercial production to all of Ember's Mannville coal CBM properties. Other multiple operators are currently conducting drilling and completion operations in attempts to produce gas from the Mannville coals, in and around Manola, Fenn-Big Valley and Rosalind.

To date, Ember has conducted extensive appraisal drilling and testing on selected lands in the Mannville coal, and established reservoir parameters conducive to commercial development. However, Ember has encountered difficulty in establishing successful well repeatability due to wellbore damage caused by the drilling process. Work will continue to test different drilling and completion techniques in order to establish the required repeatability. Currently, Ember does not have plans to drill any wells in the Mannville coals in 2008 due to low gas prices and poor capital markets, however, if these factors change then drilling plans may be accelerated. Pending establishment of commercial repeatability, Ember expects to develop the contingent resource in all three areas during the next five to 20 years.

Ember's lands are reasonably close to pipelines and facilities owned by Ember, other operators or distribution companies. Ember will consider the appropriate transportation and marketing strategy at the time of development of the Mannville coal contingent resources in the three operating areas. At this time, Ember does not believe the marketing of the potential gas volumes will be a concern.

In management's opinion it is too early to estimate the chance of success for the appraisal programs of the Mannville coal contingent resources. By NI 51-101 definitions, these resources do not have the certainty at this time to be classified as reserves. For this reason, the evaluation conducted by Sproule presents a range of technically recoverable resources for each area. While it appears that production is possible from these formations and the OGIP can be reasonably estimated, the production rates and recoveries are still undetermined and have, therefore, been estimated as low, best and high contingent resources as presented in the Sproule evaluation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Ember Resources Inc. ("Ember" or the "Company") for the year ended December 31, 2007. The Company's financial results have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The MD&A includes comparisons for the corresponding years ended December 31, 2006 and 2007. The following information has been prepared by management and should be read in conjunction with the audited financial statements for the year ended December 31, 2007, dated March 17, 2008. The reporting and the measurement currency is the Canadian dollar. This MD&A is dated as of March 17, 2008.

FORWARD-LOOKING STATEMENTS

Statements throughout this MD&A that are not historical facts may be considered "forward-looking statements". Some of the statements contained herein including, without limitation, financial and business prospects and financial outlooks may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and may be updated as required by law should material events or circumstances arise.

NON-GAAP MEASUREMENTS

This MD&A contains the terms "operating netback" and "funds from operations". These measurements should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of the Company's performance. The Company's determination of funds from operations and operating netback may not be comparable to that reported by other companies. The Company also presents funds from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculations used in determining earnings per share. Ember's peer companies in the oil and gas industry use the same definitions and for consistency the Company will continue to report in this manner.

Funds from operations are determined as operating cash flows before working capital adjustments. Management uses this term to compare with other companies that also report this measure, to manage debt facilities that may use this measure to guide determination of debt pricing, and to readily provide this information to investors that routinely request this measure. Operating netback is not a measure that is readily apparent in the GAAP prepared financial statements. It is an energy industry measure which measures funds flows at the field level by determining all field-related revenues less costs. The Company uses this measure to compare its field operations with those of its peers, and reports this measure to members of the investment community requesting it, or in the absence of the Company providing it, calculating the measure themselves.

BOE PRESENTATION

This MD&A contains disclosure expressed as barrel of oil equivalent ("boe"), and as such equivalency measures may be misleading particularly if used in isolation. Petroleum and natural gas reserves and volumes have been converted to a common unit of measure of one boe on a basis of six thousand cubic feet "mcf" of gas to one barrel "bbl" of oil. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

EMBER'S BUSINESS

Ember is a natural gas exploration and production company focused on extraction of natural gas derived from coal or coalbed methane ("CBM") in the province of Alberta, Canada. The Company operates in four principal geographic areas of Alberta: Horseshoe Canyon coal areas of Acme and Fenn-Big Valley, both located northeast of Calgary; and Mannville coal prospective areas of Rosalind located southeast of Edmonton, and Manola located northwest of Edmonton. At December 31, 2007, the Company held interests in 285,000 net acres of developed and undeveloped land, and produced at an average rate for the year ended December 31, 2007 of 5,829 mcf/d (971 boe/d).

HISTORY

In July 2005, Ember, Thunder Energy Inc. ("Thunder"), Mustang Resources Inc. ("Mustang") and Forte Resources Inc. ("Forte") completed a Plan of Arrangement (the "Arrangement"). Under the Arrangement, Ember acquired certain natural gas rights associated with coal from Thunder and became engaged in the acquisition, development and production of CBM gas reserves. Ember assumed all liabilities, including environmental liabilities, relating to the transferred assets.

In July 2005, Ember completed a $6 million private placement consisting of 3,108,808 common shares in the capital of Ember ("Common Shares") issued at $1.93 per share to employees, directors and service providers of Ember. The Common Shares were subject to escrow with one third of such shares having been released from escrow on each of January 9, 2006, July 10, 2006 and July 5, 2007.

On August 31, 2005, Ember completed a bought deal financing of 7,000,000 Common Shares at a price of $7.15 per share for gross proceeds of $50,050,000.

In April 2006, Ember finalized arrangements to increase its credit facility to $15 million from $2.5 million.

On October 18, 2006, the Company held a Special Meeting of Shareholders at which the shareholders ratified and approved the Shareholder Rights Plan of Ember which was adopted pursuant to a Shareholder Rights Agreement dated August 9, 2006 between Ember and Olympia Trust Company, as rights agent.

On March 1, 2007, the Company acquired CBM natural gas assets from a private company for cash consideration of $8.75 million. The assets located in the Acme area of Alberta consisted of 10 drilled and completed non-producing gas wells with an average working interest of 92%, and a 70.5% operated interest in 16,960 gross acres of land (11,960 net).

Also on March 1, 2007, the Company issued 5,660,400 Common Shares by way of a private placement, at $2.65 per share for cash consideration of $15.0 million. Proceeds of the issue were used to fund the $8.75 million Acme acquisition with the balance used to reduce debt and for working capital purposes.

In May 2007, the Company renegotiated its credit facility resulting in an available facility totalling $25 million. The facility is available in two tranches: Tranche A, a revolving $15 million operating facility for general corporate purposes; and Tranche B, a non-revolving $10 million development facility for the development of the Company's Acme property.

In May 2007, a long-term processing agreement for Ember's newly acquired Acme property was signed with Ember's partner AltaGas Operating Partnership ("AltaGas"). Under the agreement, AltaGas agreed to construct all of the required processing and pipeline infrastructure; in return Ember will pay a processing fee and dedicate all its gas production and reserves in the area to the facility. The agreement commits Ember to deliver a minimum of 16.8 bcf of gas over an estimated six-year period. Total cost incurred by AltaGas to construct the infrastructure was approximately $12 million.

Since inception, Ember has drilled 100 gross (96.3 net) Horseshoe Canyon wells, and 13 gross (11.5 net) Mannville wells. The Company has increased production from 2,336 mcf/d (389 boe/d) at inception to a current rate of 8,500 mcf/d (1,417 boe/d), an increase of 250%.

2007 REVIEW

The following are highlights of the year ended December 31, 2007.

Financial

Funds from operations increased 32% to $6.1 million ($0.17/share diluted) from $4.6 million ($0.15/share diluted) in 2006. Fourth quarter funds from operations were $1.6 million ($0.04/share diluted) compared with $2.1 million ($0.07/share diluted) in fourth quarter 2006.

The Company recorded net income of $0.04 million in 2007 ($0.00/share diluted) as compared to a net loss of $3.5 million (net loss of $0.12/share diluted) in 2006. Net income for the quarter was $1.2 million ($0.03/share diluted) versus net loss of $0.3 million (net loss of $0.01/share diluted) in Q4 2006.

Capital expenditures including property acquisitions totalled $29.6 million in 2007 as compared to $34.9 million spent in 2006. Capital expenditures for the fourth quarter totalled $7.2 million as compared to $6.0 million in Q4 2006.

At year-end 2007 Ember had net bank debt and a working capital deficiency totalling $19.7 million. Currently the Company has a $25 million line of credit.

Net asset value at December 31, 2007 is estimated at $3.82/share. Net asset value is calculated using net present value of proved plus probable reserves discounted at 10% with forecasted prices and $200/acre for undeveloped land.

Operations

Average production for the year increased 25% to 5.8 mmcf/d from 4.7 mmcf/d in 2006. Fourth quarter production increased 17% to 7.2 mmcf/d from 6.1 mmcf/d in fourth quarter 2006.

Drilling activity was timed with start-up of the Acme property resulting in operational momentum in the fourth quarter and into 2008. Fourth quarter production increased 39% to 7.2 mmcf/d from the third quarter average of 5.2 mmcf/d.

Proved plus probable reserves increased 87% to 51.3 bcf up from 27.4 bcf in 2006. Proved developed producing reserves increased 77% to 14.5 bcf. Proved plus probable reserves per share increased 58% from 2006.

Ember's total finding, development and acquisitions costs, before changes in future capital, are estimated at $9.66/boe for proved reserves; $6.84/boe for proved plus probable reserves. Including changes in future capital, finding and development and acquisition costs are estimated at $16.54/boe proved and $11.81/boe proved plus probable.

Operating netbacks for 2007 were $25.89/boe resulting in a recycle ratio, including changes in future capital, of 1.6 for proved reserves and 2.2 for proved plus probable reserves. Ember's low operating costs of $7.96/boe and low royalty rate of 7% contributed to a strong operating and recycle ratio despite a relatively weak gas price of $6.27/mcf in 2007. Based on current strip prices, operating netbacks would increase to $34/boe further improving Ember's capital efficiency.

Reserve life index is estimated at 5.6 years proved producing, 10.6 years total proved and 15.5 years for proved plus probable reserves. Almost all of Ember's reserves are derived from Horseshoe Canyon CBM reserves at Fenn-Big Valley and Acme, Alberta.

Ember's inventory of Horseshoe Canyon development locations has increased to 200 wells.

Ember has significant CBM resource potential in its Mannville coals. The Company's share of technically recoverable natural gas is estimated in a range of 88 – 423 bcf.

INCOME (LOSS) AND FUNDS FROM OPERATIONS (1)

Income of $0.04 million was recorded for the year ended December 31, 2007 compared to a loss of $3.5 million for the year ended December 31, 2006. Funds from operations were $6.1 million in 2007 compared to $4.6 million for the year ended December 31, 2006.

($000s)	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
Income (loss) and comprehensive income (loss)	1,186	(300)	495	**44**	(3,512)	101
Add items not involving cash						
Depreciation, depletion and accretion	2,375	1,921	24	**7,243**	6,211	17
Stock-based compensation	501	435	15	**1,317**	1,928	(32)
Future income taxes	(2,510)	–	N/A	**(2,510)**	–	N/A
Funds from operations (1)	1,552	2,056	(25)	**6,094**	4,627	32

(1) *See "Non-GAAP Measurements".*

NETBACK ANALYSIS

The following tables summarize Ember's operating netback and funds from operations on a mcf and boe basis for the three months and the years ended December 31, 2007 and 2006.

($/mcf)	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
Natural gas revenues	5.89	6.74	(13)	**6.27**	6.13	2
Royalties	(0.53)	(0.40)	33	**(0.44)**	(0.62)	(29)
	5.36	6.34	(15)	**5.83**	5.51	6
Operating expense	(1.71)	(1.36)	26	**(1.33)**	(1.54)	(14)
Transportation expense	(0.19)	(0.19)	–	**(0.20)**	(0.21)	(5)
Operating netback	3.46	4.79	(28)	**4.30**	3.76	14
Interest and other income	0.00	0.02	(100)	**0.00**	0.15	(100)
General and administrative expense	(0.76)	(1.07)	(29)	**(1.18)**	(1.15)	3
Interest expense	(0.36)	(0.07)	414	**(0.27)**	(0.02)	1,250
Funds from operations	2.34	3.67	(36)	**2.85**	2.74	4

($/boe)	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
Natural gas revenues	35.35	40.41	(13)	**37.62**	36.77	2
Royalties	(3.16)	(2.42)	31	**(2.58)**	(3.73)	(31)
	32.19	37.99	(15)	**35.04**	33.04	6
Operating expense	(10.27)	(8.17)	26	**(7.96)**	(9.24)	(14)
Transportation expense	(1.12)	(1.11)	1	**(1.19)**	(1.29)	(8)
Operating netback	20.80	28.71	(28)	**25.89**	22.51	15
Interest and other income	0.00	0.12	(100)	**0.00**	0.88	(100)
General and administrative expense	(4.54)	(6.42)	(29)	**(7.06)**	(6.91)	2
Interest expense	(2.15)	(0.43)	400	**(1.64)**	(0.14)	1,071
Funds from operations	14.11	21.98	(36)	**17.19**	16.34	5

PRODUCT PRICING

	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
NYMEX average price *(US$/mcf)*	7.03	6.74	4	**6.98**	6.63	5
AECO/NYMEX differential *(US$/mcf)*	(0.75)	(0.57)	32	**(0.96)**	(0.95)	1
Average foreign exchange rate *(Cdn$/US$)*	1.019	0.878	16	**0.935**	0.8820	6
AECO average price *(Cdn$/mcf)*	6.18	7.04	(12)	**6.44**	6.45	–
Corporate differential *(Cdn$/mcf)*	(0.29)	(0.30)	(3)	**(0.17)**	(0.32)	(47)
Ember average price *(Cdn$/mcf)*	5.89	6.74	(13)	**6.27**	6.13	2
Transportation *(Cdn$/mcf)*	(0.19)	(0.19)	–	**(0.20)**	(0.21)	(5)
Ember wellhead price *(Cdn$/mcf)*	5.70	6.55	(13)	**6.07**	5.92	3

Soft gas prices through much of 2006 and 2007 have caused a contraction of capital programs on an industry-wide basis in Canada resulting in emerging gas supply challenges. Gas production levels in the Western Canadian Sedimentary Basin are down one bcf per day from levels one year ago. There are expectations that further production declines could occur through 2008. This coupled with storage reductions from a fairly cold January and February of 2008 in North America have created conditions for the potential of a continuing price rally through 2008. Factors that have an impact on gas prices are: the supply demand balance in North America, imports of LNG, weather patterns, drilling trends in both Canada and the U.S., emerging technology in reservoir completion techniques and overall economic activity.

CBM is in all material respects the same as natural gas. It varies in heating content and other elements contained within the produced gas stream. For example, Ember's CBM contains no harmful H_2S and minor amounts of CO_2. Ember currently receives pricing that averages approximately 2% to 5% less than the weighted average of AECO (based on Ember's weighted average volumes) in Canadian dollars which reflects the slightly

lower heating content of CBM gas. Traditionally Ember's gas has a heat content that commands a price of approximately 2% under AECO. Recent production additions from new wells in the Company's Acme area are experiencing lower heating values due to the recovery of nitrogen used in the completion process. This has caused Ember's current pricing in the short term to be approximately 4% to 5% under AECO. As heating values return to normal in the next several months, once all nitrogen is recovered on new wells, Ember's pricing structure should return closer to 2% under AECO.

REVENUE AND PRODUCTION

	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
Natural gas revenue *($000s)*	3,890	3,784	3	**13,338**	10,414	28
Average natural gas production *(mcf/d)*	7,175	6,107	17	**5,829**	4,655	25
Average natural gas production *(boe/d)*	1,196	1,018	17	**971**	776	25
Total natural gas production *(mcf)*	660,128	561,808	17	**2,127,431**	1,699,096	25
Total natural gas production *(boe)*	110,021	93,635	17	**354,572**	283,183	25

Revenue was up by 28% to $13.3 million for the year ended December 31, 2007 compared to the same period in 2006. The increase was due mainly to a 25% increase in production levels to an average of 5,829 mcf/d for 2007. Prices remained fairly flat year over year increasing by only 2% in 2007.

Revenue was up by 3% to $3.9 million for the three months ended December 31, 2007 compared to the same period in 2006. The growth was partially due to a 17% increase in production levels to an average of 7,175 mcf/d for the three months ended December 31, 2007. Production increases were partially offset by a price decline of 13% to an average of $5.89 for the fourth quarter 2007 compared to the same period in 2006.

Production increases resulted from capital drilling and completion programs primarily in the third and fourth quarter of 2007 on Horseshoe Canyon properties. Ember drilled one gross Mannville well (1.0 net) in the first half of 2007. During the third quarter of 2007, the Company participated in the drilling of 23 gross Horseshoe Canyon wells (19.8 net). Eleven of the gross Horseshoe Canyon wells were on production by late in the third quarter. During Q4 2007, Ember drilled an additional 17 gross (16.5 net) Horseshoe Canyon wells in the Acme area. All wells drilled and completed during the year were on production by year end.

The Company's current production and sales rate at the date of this report is approximately 8,500 mcf/d. Production was up 39% to 7,175 mcf/d in the fourth quarter of 2007 from the third quarter 2007.

Horseshoe Canyon production increased 30% from 5,374 mcf/d (896 boe/d) in Q4 2006 to average 7,009 mcf/d (1,168 boe/d) in Q4 2007. This increase is primarily due to the startup of Ember's new Acme area in November 2007. Production from the Mannville projects in Manola and Rosalind, excluding those that are in pre-production status, decreased by 77% to an average of 167 mcf/d (28 boe/d) in Q4 2007 from 732 mcf/d (122 boe/d) in Q4 2006. Ember's Q4 2007 mix of production consisted entirely of CBM natural gas with 98% produced from the Horseshoe Canyon and 2% from Mannville formations.

The Company's current production is derived primarily from both its Fenn-Big Valley and Acme area wells which produce from coals in the Horseshoe Canyon formation. In the short term, this trend is expected to continue as the Company is maintaining a focus on Horseshoe Canyon drilling opportunities in its Acme and Fenn-Big Valley areas. Over the long term, Ember's production is expected to shift from Horseshoe Canyon dominated to a blend that includes production from Mannville formations. Characteristics of Mannville production include wells that require dewatering prior to peak production rates and wells that have higher capital costs to drill. Once dewatered, these wells are expected to produce at higher daily rates than Horseshoe Canyon wells.

ROYALTIES

($/mcf)	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
Total natural gas royalties *($000s)*	348	227	53	**917**	1,057	(13)
Crown royalties per unit	0.38	0.39	(3)	**0.38**	0.58	(34)
Freehold royalties per unit	0.15	0.01	1,400	**0.06**	0.04	50
Total royalties per unit	0.53	0.40	33	**0.44**	0.62	(29)
Crown royalties as a % of revenue	6.4	5.8	0.6	**6.0**	9.4	(3.4)
Freehold royalties as a % of revenue	2.5	0.2	2.3	**0.9**	0.7	0.2
Total royalties as a % of revenue	8.9	6.0	2.9	**6.9**	10.1	(3.2)

($/boe)	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
Total natural gas royalties *($000s)*	348	227	53	**917**	1,057	(13)
Crown royalties per unit	2.28	2.36	(3)	**2.25**	3.46	(35)
Freehold royalties per unit	0.88	0.06	(1,367)	**0.33**	0.27	22
Total royalties per unit	3.16	2.42	31	**2.58**	3.73	(31)
Crown royalties as a % of revenue	6.4	5.8	0.6	**6.0**	9.4	(3.4)
Freehold royalties as a % of revenue	2.5	0.2	2.3	**0.9**	0.7	0.2
Total royalties as a % of revenue	8.9	6.0	2.9	**6.9**	10.1	(3.2)

Royalties are calculated and paid based on production rates and prices, net of associated transportation cost. The Company's current base of wells is primarily on Crown lands. The Company's properties in the Acme area are subject to an 8.5% gross overriding royalty that is classified as freehold. Future royalties will reflect a mix of royalties which is shifting from predominately Crown royalties to a blend of Crown and freehold charges. Crown royalty rates vary with productivity, with reduced rates for wells that average less than 700 mcf/d (117 boe/d).

Crown royalties were lower than in 2006 for both the three month period and year ended December 31, 2007 due primarily to annual gas cost allowance and custom processing fee credits received in Q2 and Q3 2007. The credits received from the Crown are based on the Company's actual pipeline and facility expenditures in the preceding year. Rates were also lower due to a shift in the Company's production mix, with more production coming from Ember's lower royalty rate Fenn wells. Ember's production is primarily from Horseshoe Canyon

wells (averaging 98% in 2007) which initially average 50-125 mcf/d per well, resulting in normalized royalty rates that currently attract Crown royalties averaging approximately 7.5% after factoring in the increased monthly gas cost allowance and custom processing fees.

In late October 2007, the Alberta government announced changes to royalties paid to the province effective on January 1, 2009. The province has identified non-conventional resources, such as CBM and the oil sands, as future industries for Alberta and proposed changes to the royalty structure are designed to encourage further development.

Ember's average well productivity included in its reserve report is estimated at 50 mcf/d. Based on the proposed changes, royalties paid to the Alberta government will decline from a base rate of 9% in 2008 (before factoring in adjustments from gas cost allowance and custom processing fee credits) to 5% in 2009 and beyond. The 5% royalty rate would remain in effect at prices up to $9.80/mcf. At $11.50/mcf the royalty rate would increase to the original 9%. As a result, Ember is expected to benefit immediately when the proposed changes are implemented in 2009 and will continue to benefit in a higher gas price environment up to a price of $11.50 per mcf. A sensitivity case was run on the year 2007 year-end reserves which resulted in an overall increase of $5.6 million (5.8%) in the Company's share of before tax net present value (proved plus probable discounted at 10%).

Ember believes that two other changes will also have long-term benefits to the Company and the CBM industry. Firstly, an incentive was introduced for gas wells with total measured depths in excess of 2,000 metres. Typical single-leg horizontal Mannville wells have measured depths of 2,000 – 2,500 metres and multiple legs have measured depths much greater. The second initiative is with respect to the shallow rights reversion which will require shallow zones, such as the Horseshoe Canyon coals, to revert back to the Crown for resale when the existing lease is held by deeper production.

OPERATING AND TRANSPORTATION EXPENSE

	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
Total operating expenses *($000s)*	1,130	765	48	**2,822**	2,615	8
$ per mcf	1.71	1.36	26	**1.33**	1.54	(14)
$ per boe	10.27	8.17	26	**7.96**	9.24	(14)
Horseshoe Canyon operating expenses *($000)*	890	574	55	**2,028**	1,926	5
$ per mcf	1.38	1.16	19	**0.99**	1.28	(23)
$ per boe	8.28	6.96	19	**5.94**	7.68	(23)
Mannville operating expenses *($000s)*	240	191	26	**794**	689	15
$ per mcf	15.66	2.84	451	**9.97**	3.51	184
$ per boe	93.97	17.05	451	**59.83**	21.06	184
Transportation expense *($000s)*	124	104	19	**420**	365	15
$ per mcf	0.19	0.19	–	**0.20**	0.21	(8)
$ per boe	1.12	1.12	–	**1.19**	1.29	(8)

CBM operating costs vary between Horseshoe Canyon and Mannville production. Horseshoe Canyon wells produce gas immediately and do not require dewatering to reach peak production levels. Unit operating costs from this formation have a consistent profile when wells commence production. Mannville wells require dewatering prior to reaching peak production. As a result, operating costs on a per unit basis are initially high, but typically decrease as water production declines and gas production increases. Until recently, Ember had been capitalizing certain pre-production Mannville costs to better reflect the cost of bringing these wells on production. The Company has ceased capitalizing these costs for the time being while evaluating next steps for Mannville assets as outlined below.

Company operating costs per unit averaged $1.71/mcf ($10.27/boe) for the fourth quarter of 2007 compared with $1.36/mcf ($8.17/boe) for the fourth quarter 2006. Operating costs on a per unit basis have increased from Q4 2006 primarily due to gas processing fees in Ember's new Acme area as described below.

Company operating costs per unit averaged $1.33/mcf ($7.96/boe) for the year ended December 31, 2007 compared with $1.54/mcf ($9.24/boe) for the same period in 2006. Operating costs on a per unit basis have decreased in 2007 from 2006 primarily due to cost efficiencies experienced in Fenn and overall reductions of activity in Ember's higher cost Mannville area. These gains were partially offset by higher production costs in the startup of Ember's Acme area.

Operating costs for Ember's Fenn-Big Valley and Acme wells (Horseshoe Canyon) averaged $1.38/mcf ($8.28/boe) for the fourth quarter 2007 compared with $1.16/mcf ($6.96/boe) in the same period in 2006. Operating costs on a per unit basis have increased from Q4 2006 due to higher gas processing fees at Acme. Ember entered into an agreement with a third party gas processor (AltaGas Operating Partnership ("AltaGas") whereby AltaGas constructed a compression facility and pipelines in Acme with a total pipeline capacity of 30 mmcf/d. Ember agreed to a firm gas delivery commitment of 5 mmcf/d for the initial year of operation, escalating thereafter as the field is developed. Per unit operating expenses are expected to decrease in the Acme area as additional production volumes (including third party volumes) fully utilize Ember's firm delivery commitment. Ember is continuing to realize operating efficiencies at its Fenn-Big Valley area. Operating costs in Fenn decreased by 12% per unit in fourth quarter of 2007 as compared with the fourth quarter of 2006. The efficiencies achieved result from an increasing base of production from well additions, improved facility utilization, and a fixed overhead level that has remained fairly constant.

The Company's Rosalind and Manola wells (Mannville) currently incur higher operating costs with relatively low gas production rates as the wells are at the early dewatering stage of their production lives. Operating costs for Mannville production averaged $15.66/mcf ($93.97/boe) for the fourth quarter 2007 compared with $2.84/mcf ($17.05/boe) for the same period in 2006. The increase in unit operating costs was primarily due to reduced gas production in the quarter, and the decision not to capitalize any Mannville pre-production costs in the quarter. In the fourth quarter of 2007, in an effort to reduce operating costs in the Mannville area, Ember began to shut-in uneconomic wells that are no longer considered to be in a dewatering phase. In the short term, Ember is reassessing development of the Mannville area and is seeking joint venture arrangements to advance development of the Mannville coals. As a result, current field activities have been reduced in order to achieve goals of land retention and cost containment.

Transportation expense relates to costs of transporting Ember's natural gas production on major pipelines.

DEPLETION, DEPRECIATION AND ACCRETION

	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
DD&A expense *($000s)*	2,375	1,921	24	**7,243**	6,211	17
$ per mcf	3.60	3.42	5	**3.40**	3.66	(7)
$ per boe	21.60	20.53	5	**20.40**	21.94	(7)

For the year ended 2007, depletion and depreciation of capital assets and the accretion of the asset retirement obligations ("DD&A") increased by 17% to $7.2 million from $6.2 million during the same period in 2006. The increase reflected a 25% production increase and a 7% decrease in the per unit DD&A rate from $21.94 to $20.40 per boe. The decrease in per unit costs reflects lower-cost asset additions per unit of reserves from the Acme property acquisition which was completed during the first quarter of 2007.

For the three month period ended December 31, 2007, DD&Á increased by 24% to $2.4 million from $1.9 million during the same period in 2006. The increase reflected a 17% production increase and a 5% increase in the per unit DD&A rate to $21.60 from $20.53 per boe. The increase in per unit costs reflects reductions in unproved costs excluded from DD&A which have the affect of increasing total DD&A, and production increases at a rate exceeding reserve additions which have the affect of increasing total DD&A, both partially offset by the lower-cost asset additions per unit of reserves from the Acme property acquisition completed during the first quarter of 2007.

Ember excluded $22.9 million of unproved asset costs from the depreciation and depletion calculation for the fourth quarter of 2007 compared to $37.0 million during the same period in 2006. These costs represent land and drilling costs for unproved properties, some of which are expected to be assigned reserves in the future, at which time these costs will be subject to depletion. The depletion base for the fourth quarter of 2007 also included $29.3 million of estimated future development costs related to proved undeveloped reserves which formed a key part of Ember's reserve base during the fourth quarter of 2007 compared to $8.4 million during the same period in 2006. This increase is primarily the result of the Acme acquisition during 2007.

GENERAL AND ADMINISTRATIVE EXPENSES

($000s)	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
Gross G&A expenses	875	953	(8)	**3,654**	3,249	12
Indirect capitalized G&A	(173)	(182)	(5)	**(755)**	(654)	15
Overhead recoveries	(202)	(169)	20	**(397)**	(637)	(38)
Net G&A expense	500	602	(17)	**2,502**	1,958	28
$ per mcf	0.76	1.07	(29)	**1.18**	1.15	3
$ per boe	4.54	6.42	(29)	**7.06**	6.91	3

Net general and administrative expenses ("G&A") totalled $2.5 million or $1.18/mcf ($7.06/boe) for the year ended December 31, 2007 compared with $2.0 million or $1.15/mcf ($6.91/boe) for the same period in 2006. The comparatively high overall G&A costs per unit of production reflect the start-up nature and growth phase of Ember's business. Per unit costs are expected to decrease with increased drilling activity and production growth.

Net G&A expenses totalled $0.5 million or $0.76/mcf ($4.54/boe) for the three month period ended December 31, 2007 compared with $0.6 million or $1.07/mcf ($6.42/boe) for the same period in 2006. General and administrative costs on a boe basis are declining as production levels increase. Ember expects 2008 G&A costs to decrease to between $3 and $4 per boe as a direct result of further production additions.

Indirect G&A expenses totalling $755,000 (2006 – $654,000) were capitalized during the year ending December 31, 2007. Indirect G&A expenses totalling $173,000 (2006 – $182,000) were capitalized during the three month period ending December 31, 2007. These costs include general overhead, and indirect salaries.

STOCK-BASED COMPENSATION

($000s)	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
Gross SBC costs	726	712	2	**2,076**	3,027	(31)
Capitalized SBC	(225)	(277)	(19)	**(759)**	(1,099)	(31)
Net SBC expense	501	435	15	**1,317**	1,928	(32)
$ per mcf	0.76	0.77	(1)	**0.62**	1.13	(45)
$ per boe	4.55	4.64	(2)	**3.71**	6.81	(45)

Stock-based compensation ("SBC") expense totalled $1.3 million for the year ended December 31, 2007 compared to $1.9 million for the same period in 2006. The reduction in the year over year comparison is due primarily to the timing, number, original fair market value and age of the options. The options vest over three years and since the majority of the options have reached the two-year vesting mark, a declining amount of the total expense remains to be charged to the income statement. Further reductions in this expense would be expected through the balance of 2008 assuming that no further material changes occur to the plan through new issuances of options.

Stock-based compensation expense totalled $0.5 million for the three month period ended December 31, 2007 compared to $0.44 million for the same period in 2006. The increase resulted from a one-time charge of $0.23 million in December 2007 from the cancellation of 675,000 share options previously granted to Director's and Officers at strike prices of $7.25 and $7.90. These cancelled options were not replaced through new option grants.

During the third quarter of 2007, Ember cancelled 410,000 options to certain non-insider employees with exercise prices ranging from $5.79 to $7.90 and a remaining term of 3.3 to 3.6 years. The same employees were issued 410,000 replacement options with a new term of five years, new vesting provisions, vesting equally over three years commencing from the date of re-grant, and a strike price of $2.25. The replacement options were issued at a time when Ember shares were trading at $1.85.

As a result of these transactions and other new option issuances, as of December 31, 2007, Ember had a total of 1,550,000 stock options issued at an average exercise price of $2.54 per share and 1,200,000 Performance Shares issued.

INTEREST EXPENSE

	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
Interest expense *($000s)*	237	41	478	**583**	41	1,322
$ per mcf	0.36	0.07	414	**0.27**	0.02	1,250
$ per boe	2.15	0.43	400	**1.64**	0.14	1,071

For the year ended 2007, interest expense increased by 1,322% to $0.6 million from $0.04 million during the same period in 2006. The increase reflected utilization of debt financing commencing in November 2006. Prior to November 2006 the Company financed capital additions utilizing cash from share issuances.

For the three month period ended December 31, 2007, interest expense increased by 478% to $0.2 million from $0.04 million during the same period in 2006.

INCOME TAXES

Ember is not currently taxable, and the Company does not anticipate paying current income tax over the next several years. The Company's current tax rate is a combined Canadian federal and Alberta provincial rate of 32.12%.

Ember has deductible tax pools and share issue costs totalling $129.2 million which are available to shelter future taxable income. During the fourth quarter 2007 the Company recorded a future income tax asset for accounting purposes totalling $1.8 million thereby recognizing some of the future benefit of tax deductions that are expected to be utilized within a three-year period. Ember estimates it will not pay cash taxes as it utilizes discretionary tax deductions to remain non-taxable. The rate of drawdown of these discretionary tax deductions is estimated to exceed the rate of depreciation for accounting purposes resulting in a drawdown of Ember's temporary differences and the resulting basis for recording a $1.8 million tax asset.

In addition to Ember's recorded tax asset, the Company has unrecorded potential future income tax assets for accounting purposes totalling $6.2 million, also resulting primarily from deductible temporary differences. These differences are the result of deductions for tax purposes in excess of deductions for accounting purposes, and are not yet recorded on Ember's books.

During the second quarter of 2007, Ember submitted tax filings related to its research efforts in developing processes to exploit coalbed methane in Mannville coals. These filings classified $17.2 million of applicable Mannville costs that would otherwise have been recorded as Canadian Development Expense ("CDE"), as scientific research and experimental development deduction pools ("SRED"), a 100% deductible pool which is available for carry-forward up to 20 years (this amount is reflected in the table of carry-forwards below). In addition, Ember has related tax credits totalling $3.4 million (earned at a rate of $0.20 for each $1 of eligible SRED expenditure), which may be applied against tax payable and can be carried forward for up to 20 years. During the third quarter of 2007, the Canada Revenue Agency ("CRA") commenced audit work on Ember's SRED submissions. Further audit work is continuing in 2008. There is no certainty that the Company will be successful in receiving any or all of the SRED deductions or credits for which it has applied.

The following table outlines carry-forward tax deductible and credit amounts.

($000s)	**Year ended December 31, 2007**	Year ended December 31, 2006
COGPE	**50,124**	48,524
CEE	**104**	–
CDE	**19,100**	21,782
SRED	**17,168**	–
CCA classes	**16,620**	15,703
Share issue costs	**1,664**	2,282
Non capital loss carry-forwards	**24,458**	17,419
Total tax deductions	**129,238**	105,710
Total tax credits	**3,434**	–

CAPITAL EXPENDITURES

($000s)	Three months ended December 31, 2007	Three months ended December 31, 2006	Percentage change	**Year ended December 31, 2007**	Year ended December 31, 2006	Percentage change
Land	150	195	(23)	**337**	2,472	(86)
Drilling and completions	5,784	4,102	41	**14,919**	18,846	(21)
Equipment and facilities	800	1,176	(32)	**3,906**	11,516	(66)
Capitalized costs (including G&A and Mannville pre-production costs)	444	580	(23)	**1,825**	2,008	(9)
Asset additions for cash	7,178	6,053	19	**20,987**	34,842	(40)
Abandonment expenditures	–	–	N/A	**21**	45	(53)
Property acquisitions	(173)	–	N/A	**8,633**	–	N/A
Non-cash asset additions						
Abandonment assets	(280)	(126)	(122)	**330**	389	(15)
Capitalized stock-based compensation	965	276	250	**1,499**	1,099	36
Total asset additions	7,690	6,203	24	**31,470**	36,375	(13)

During 2007, capital expenditures totalled $30.8 million, all of which were funded through working capital, the issue of equity, bank borrowings and cash flow.

During 2007, the Company drilled a total of 41.0 gross (37.3 net) wells, compared to 28.0 gross (27.5 net) wells during the same period in 2006. Cash expenditures for the Acme property acquisition and land, drilling, completion, equipping and facility construction in all areas totalled $29.6 million for the period.

Ember's total 2008 capital budget is estimated at $15 million and is expected to yield 30 to 35 net Horseshoe Canyon wells. Funding will come from cash flow and existing lines of credit.

Planned expenditures in 2008 on the Company's Mannville assets are limited. In the short term, Ember is reassessing development of the Mannville area and is seeking joint venture arrangements to advance development of the coal trend. As a result current field activities have been reduced in order to achieve goals of land retention and cost containment. The Company remains committed to Mannville development and believes that its land base of approximately 200,000 net acres is a substantial and valuable asset which will be realized through technological advances and application of capital.

QUARTERLY RESULTS

Ember's quarterly summaries for the most recent two-year period to date are as follows:

($000s except per share amounts and volumes)	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Year ended December 31, 2007
Sales gas *(mmcf/d)*	7.175	5.174	5.068	5.890	5.829
Average natural gas price *($/mcf)*	5.89	5.07	6.98	7.21	6.27
Gross revenue	3,890	2,411	3,217	3,820	13,338
Royalty expense	348	90	119	360	917
Operating and transportation expense	1,253	604	630	755	3,242
General and administrative expense	500	527	808	667	2,502
Stock-based compensation expense	501	275	243	298	1,317
Interest expense	237	136	101	109	583
Depletion, depreciation and accretion expense	2,375	1,546	1,584	1,738	7,243
Net earnings (loss)	1,186	(767)	(268)	(107)	44
– per share basic and diluted	0.03	(0.02)	(0.01)	(0.00)	0.00
Funds from operations [1]	1,552	1,054	1,559	1,929	6,094
– per share basic	0.04	0.03	0.04	0.06	0.17
– per share diluted	0.04	0.03	0.04	0.06	0.17
Total assets	108,315	100,047	93,901	93,251	108,315
Net debt	19,681	14,228	8,405	7,582	19,681
Property and equipment additions	7,178	6,856	2,382	4,571	20,987
Property acquisitions	(173)	–	–	8,806	8,633
Shares outstanding *(000s)*	36,103	36,103	36,075	36,075	36,103

QUARTERLY RESULTS *(continued)*

($000s except per share amounts and volumes)	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Year ended December 31, 2006
			(restated)	*(restated)*	
Sales gas *(mmcf/d)*	6.107	4.972	4.225	3.282	4.655
Average natural gas price *($/mcf)*	6.74	5.31	5.72	6.77	6.13
Gross revenue	3,784	2,431	2,200	1,999	10,414
Royalty expense	227	244	360	226	1,057
Operating and transportation expense	869	744	840	527	2,980
General and administrative expense	602	324	533	499	1,958
Stock-based compensation expense	435	472	519	502	1,928
Interest expense	–	–	–	–	–
Depletion, depreciation and accretion expense	1,921	1,730	1,433	1,127	6,211
Net earnings (loss)	(300)	(1,040)	(1,427)	(745)	(3,512)
– per share basic and diluted	(0.01)	(0.04)	(0.05)	(0.02)	(0.12)
Funds from operations (1)	2,056	1,162	525	884	4,627
– per share basic	0.07	0.03	0.02	0.03	0.15
– per share diluted	0.07	0.03	0.02	0.03	0.15
Total assets	82,410	82,597	72,991	75,193	82,410
Net debt (surplus)	11,095	(7,173)	(3,947)	(8,503)	11,095
Property and equipment additions	6,007	12,204	5,078	11,553	34,842
Property acquisitions	–	–	–	–	–
Shares outstanding *(000s)*	30,415	30,415	30,417	30,419	30,415

QUARTERLY RESULTS *(continued)*

($000s except per share amounts and volumes)	Q4 2005	Q3 2005	Six month period ended December 2005
	(restated)	*(restated)*	
Sales gas *(mmcf/d)*	2.475	2.336	2.405
Average natural gas price *($/mcf)*	11.55	8.25	9.95
Gross revenue	2,630	1,774	4,404
Royalty expense	239	115	354
Operating and transportation expense	409	339	748
General and administrative expense	384	213	597
Stock-based compensation expense	214	312	526
Interest expense	–	–	–
Depletion, depreciation and accretion expense	704	664	1,368
Net earnings (loss)	937	185	1,122
– per share basic and diluted	0.03	0.01	0.04
Funds from operations [1]	1,855	1,161	3,016
– per share basic	0.06	0.05	0.11
– per share diluted	0.06	0.04	0.10
Total assets	78,446	67,680	78,446
Net debt (surplus)	(19,172)	(44,002)	(19,172)
Property and equipment additions	26,659	4,935	31,594
Property acquisitions	–	–	–
Shares outstanding *(000s)*	30,419	30,432	30,419

[1] *See "Non-GAAP Measurements".*

LIQUIDITY AND CAPITAL RESOURCES

Capitalization and Capital Resources

Share Capital

	(000s)
Outstanding Common Shares	
Weighted average outstanding Common Shares [1]	
– Basic and diluted at December 31, 2007	**35,158**
Outstanding securities at December 31, 2007	
– Common Shares	**36,103**
– Common Share options	**1,550**
– Performance Shares	**1,200**
Outstanding securities at March 14, 2008	
– Common Shares	36,103
– Common Share options	1,550
– Performance Shares	1,200

(1) *Per share information is calculated on the basis of the weighted average number of Common Shares outstanding during the fiscal year. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted to Common Shares. Diluted per share information is calculated using the treasury stock method which assumes that any proceeds received by the Company upon exercise of in-the-money stock options, plus the unamortized stock-based compensation expense would be used to buy back Common Shares at the average market price for the period. Performance Shares (contingently issuable shares) are calculated based on the shares that would be issuable, if the end of the reporting period were the end of the contingency period, and the result would be dilutive.*

Equity Issue

On March 1, 2007 the Company issued 5,660,400 Common Shares by way of private placement, at $2.65 per Common Share for cash consideration of $15 million before transaction costs. Proceeds of the issue were used to fund an $8.8 million asset acquisition in the Acme area of Alberta with the balance used to reduce debt and for working capital purposes.

Total Market Capitalization

The Company's market capitalization at December 31, 2007 was $43 million.

($000s, except per share amount)	**December 31, 2007**
Common Shares outstanding	**36,103**
Share price [2]	**$ 1.19**
Total market capitalization	**$ 42,963**

(2) *Represents the closing price on the TSX on December 31, 2007.*

Capital Resources

At December 31, 2007, the Company had a working capital deficiency of $19.7 million. This includes $18.6 million drawn on the Company's credit facilities of $25.0 million.

The Company's additions to property and equipment for the year ended December 31, 2007 totalling $21.0 million consisted primarily of expenditures for one net Mannville well drilled in first quarter 2007, and 36.3 net Horseshoe Canyon wells (Acme and Fenn-Big Valley areas) that were drilled in third and fourth quarters 2007, as well as expenditures on completions, equipping, facilities and tie-ins of projects drilled in 2006 and 2007. In March 2007, the Company also completed an asset acquisition acquiring a property in the Acme area of Alberta for $8.8 million including transaction costs. The acquired assets consist of 10 drilled and completed non-producing gas wells with an average working interest of 92%, and a 70.5% operated working interest in 16,960 acres of land (11,960 net). During 2007, Ember completed 9 of the 10 acquired wells and drilled a total of 21.5 net additional wells at Acme. All of these wells were on production prior to December 31, 2007. These activities were funded by funds from operations, existing working capital, bank financing and the equity issue described above.

Current Available Resources

($000s)

Capital resources	
Working capital deficiency December 31, 2007	**(19,681)**
Bank debt available	**25,000**
Total capital resources available	**5,319**

Ember's total capital budget for 2008 is $15 million. This budget is expected to result in drilling of a total of 30 to 35 net Horseshoe Canyon wells. Funding will come from cash flow and the Company's existing lines of credit. Ember continually monitors its cash flow and available sources of financing. The Company's annual budget is modified throughout the course of the year as circumstances change.

Bank Facility

As at December 31, 2007, the Company had a $25.0 million demand operating and development credit facility with a Canadian chartered bank. The facility is available in two tranches: Tranche A, a revolving $15.0 million operating facility for general corporate purposes; and Tranche B, a non-revolving $10.0 million development facility for the development of the Company's Acme property.

This borrowing base facility is determined based on, among other things, the Company's then current reserve report, results of operations, current and forecasted commodity prices and the current economic environment. The applicable margin charged by the bank is dependent upon the Company's debt to trailing cash flow ratio. The Banker's Acceptances for Tranche A bear interest at the applicable Banker's Acceptance rate plus an explicit stamping fee based upon the Company's debt to trailing cash flow ratio. Tranche B borrowing bears interest at the Tranche A rate plus 150 basis points.

At the date of this report, March 17, 2007 Ember had drawn approximately $20,270,000 on this facility.

Working Capital

The Company will continue to monitor its counterparty credit positions to mitigate any potential credit losses. All revenues are subject to normal collection risk. For activities conducted with joint venture partners, Ember collects its partners' share of capital and operating expenses on a monthly basis. At December 31, 2007, Ember had no material accounts receivable that it deemed uncollectible.

Accounts payable and accrued liabilities consist of amounts payable to suppliers relating to head office, field operating activities and capital spending activities. These invoices are processed within the Company's normal payment period.

Ember continuously manages the pace of its capital spending program by monitoring forecasted production and commodity prices and resulting cash flows. Should circumstances affect cash flow in a detrimental way, the Company is capable of altering capital spending activity levels.

Commitments

In May 2007 (amended January 2008), the Company entered into an agreement with AltaGas for the processing of natural gas from Ember's Horseshoe Canyon production located at Acme, Alberta. The agreement required AltaGas to construct gathering and processing facilities to enable the delivery and sale of natural gas by Ember and other third parties, in exchange for a commitment from Ember to pay the greater of, a fee calculated as monthly volumes at an established rate per mcf, or an established minimum monthly processing fee. The minimum monthly fee is based on an estimate of gas throughput ranging from 5 to 9 mmcf per day. The commitment ends on the earlier of November 1, 2013 or the delivery of a total of 16.8 bcf. Committed payments are outlined in the table below.

	Minimum monthly volume commitment *(mmcf/d)*	Minimum annual fee *($000s)*
2008	5	1,926
2009	7	2,697
2010	9	3,419
2011	9	3,452
2012	9	3,418
2013	7	2,483
Total		17,395

ACCOUNTING POLICIES & ESTIMATES AND BUSINESS RISKS

Recent Accounting Pronouncements

Management is assessing the following new and revised accounting pronouncements which have been issued but are not yet effective:

Section 1535 requires the disclosure of Ember's objectives, policies and processes for managing capital. This includes qualitative information regarding Ember's objectives, policies and processes for managing capital and quantitative data about what Ember manages as capital.

As of January 1, 2008, Ember will be required to adopt two new CICA standards: Section 3862 Financial Instruments Disclosures and Section 3863 Financial Instruments Presentation, which will replace Section 3861 Financial Instruments Disclosure and Presentation. The new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards carry forward the former presentation requirements. The new financial instruments presentation and disclosure requirements were issued in December 2006 and the Company is assessing the impact on its financial statements.

The Canadian Accounting Standards Board ("AcSB") has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAPP for those enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company is currently evaluating the impact of adopting IFRS.

Estimates

In the preparation of the financial statements, it was necessary for Ember to make certain estimates that were critical to determining assets, liabilities and net income. None of these estimates affect the determination of cash flow, but do have a significant impact in the determination of net income. The following are some of those critical measures.

Natural Gas Reserves

All of Ember's natural gas reserves are evaluated and reported on by an independent qualified reserve evaluators. The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. Reserve estimates can be revised upward or downward based on the results of future drilling, testing, production levels and economics of recovery based on cash flow forecasts.

Depletion and Depreciation Expense

The Company follows the full cost method of accounting for exploration and development activities whereby all costs associated with these activities are capitalized, whether successful or not. The aggregate of capitalized cost, net of certain costs related to unproved properties and estimated future development costs, is amortized

using the unit-of-production method based on estimated proved reserves. Changes in estimated proved reserves or future development costs have a direct impact on depletion and depreciation expense. Certain costs related to unproved properties and major development projects may be excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly to determine if proved reserves should be assigned, at which point they would be included in the depletion calculation, or for impairment, for which any write-down would be charged to depletion and depreciation expense.

Full Cost Accounting Ceiling Test

Natural gas assets are evaluated at least annually to determine that the costs are recoverable and do not exceed the fair value of the properties. Costs are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves and the lower of cost and market of unproved properties exceed the carrying value of the natural gas assets. If the carrying value of the natural gas assets is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties. The cash flows are estimated using future product prices and costs and are discounted using the risk-free rate. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material. Any impairment would be charged as additional depletion and depreciation expense.

Asset Retirement Obligations

The Company records a liability for the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability, there is a corresponding increase in the carrying amount of the related asset known as the asset retirement cost. The total future asset retirement obligation is an estimate based on the Company's net ownership interest in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligation is an estimate that is subject to measurement uncertainty and any change would impact the liability.

Stock-based Compensation

The Company follows the fair value method of valuing stock option grants and Performance Share issues. Under this method, compensation cost, attributable to share options granted and Performance Shares issued to employees, contractors, officers and directors of Ember, is measured at fair value at the date of grant and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options and the conversion of Performance Shares, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. Stock-based Compensation is an estimate that is subject to measurement uncertainty and any change would impact the expense recorded and the corresponding charge to shareholders' equity.

Income Taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

BUSINESS RISKS

Ember is engaged in the exploration, development and production of coalbed methane based natural gas. The natural gas business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Operational risks include competition, reservoir performance uncertainties, environmental factors, and regulatory, environment and safety concerns. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates and the cost of goods and services. The following are key risk areas for the Company.

Coalbed Methane (CBM) Operations

CBM operations are comprised of well developed operations in the shallower Horseshoe Canyon coals and operations in deeper Mannville coals in Western Canada that are in the early stages of development.

In the Mannville coals many factors affecting the economics and success of CBM operations are unknown or not fully known at this time.

Ember has a number of demonstration projects in Mannville coals that have been designed to provide the Company with information regarding well productivity, reserve recovery factors and reservoir characteristics. This information is required to advance the project areas to commercial development.

Ember's business is subject to all of the operating risks associated with drilling for and producing natural gas, including fires, explosions, blow-outs and surface cratering, uncontrollable flows of underground natural gas, formation water, natural disasters, pipe or cement failures, casing collapses, embedded oilfield drilling and service tools, abnormally pressured formations and environmental hazards, such as natural gas leaks, pipeline ruptures and discharges of toxic gases.

In addition, the exploration for, and production of CBM, differs from conventional oil and gas and can pose additional operating risks.

CBM can require higher capital commitments than similar depth conventional gas developments due to such factors as the type of drilling and completion techniques required, which can entail the complexity of development of multiple coal steams. In some instances, more wells per section are required to effectively develop the resource in place. Lower wellhead pressures are typical with CBM production which can require additional compression or larger flow lines.

CBM also requires a longer timeframe for testing and development. Coalbed methane often comes with water. In a sandstone or limestone reservoir, the gas molecules are between the rock particles. With CBM, the gas molecules are stuck to the coal or adsorbed, and the spaces between the coal, referred to as the "cleats", must be drained of water before gas will come out of the coal. The length of this de-watering process is different in each instance, and in some instances can be lengthy before CBM production begins. Ember's operations may require long lead times before peak production is reached, and the sustainability of production is subject to greater uncertainty than with conventional gas.

Water production from CBM firstly requires adequate disposal into government approved formations. The large volumes produced potentially create such operational concerns as freezing, scale formation, or backpressure caused by inefficient pumping.

As CBM is relatively new in Canada, there is additional regulatory complexity. This includes uncertainty or limitations to development from outstanding CBM ownership questions regarding freehold lands. With the recent introduction of CBM development in Canada, operators drilling or producing CBM wells are subject to public scrutiny. Any problems experienced by other operators might adversely impact Ember, through additional regulations or greater difficulty in acquiring leases, permits or regulatory approvals.

In addition, Ember could incur substantial losses as a result of loss of life, severe damage to and destruction of property, natural resources and equipment, pollution and other environmental damage, clean-up responsibilities, regulatory investigation and penalties, suspension of the Company's operations and repairs to resume operations.

Safety and Environmental Matters

The natural gas industry is subject to extensive regulation pursuant to various municipal, provincial, national, and international conventions and regulations. Environmental legislation encompasses, among other things, restrictions and prohibitions on spills, releases and/or emissions of various substances produced in association with oil and natural gas operations. The Company is committed to meeting and exceeding its environmental and safety responsibilities. The Company has in place an environmental and safety policy and a board committee designed, at minimum, to comply with current government regulations set for the oil and natural gas industry. Changes to governmental regulations are closely monitored to ensure compliance. Environmental reviews are completed as part of the due diligence process when evaluating acquisitions.

Although Ember maintains insurance commensurate with industry standards to cover reasonable risk and potential liabilities associated with its activities, as well as insurance coverage for officers and directors executing their corporate duties, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have an adverse effect upon its financial condition.

Operational Risks

Natural gas exploration operations are subject to all of the risks and hazards typically associated with such operations, including premature decline of reservoirs, hazards such as fire, explosion, blowouts, cratering and spills, each of which could result in substantial damage to natural gas wells, producing facilities, other property and the environment or in personal injury. In accordance with industry practice, Ember is not fully insured against all of these risks, nor are all such risks insurable. Although Ember maintains liability insurance in an amount that it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event Ember could incur significant costs that could have a materially adverse effect upon its financial condition.

Natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Ember and may delay exploration and development activities. To the extent that Ember is not the operator of its gas properties, the Company is dependent on such operators for the timing of activities related to such properties and is largely unable to direct or control the activities of the operators. The Company attempts to mitigate this risk by developing strong relationships with suppliers and contractors.

Volatility of Gas Prices and Markets

Natural gas prices are unstable and subject to fluctuation. Any material decline in prices could reduce the Company's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of Ember's reserves. Ember might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Ember's net production revenue causing a reduction in its gas acquisition and development activities. In addition, bank borrowings available to Ember are, in part, determined by the Company's borrowing base. A sustained material decline in prices from historical average prices could further reduce the Company's borrowing base and thus, bank credit available and could require repayment of a portion of the Company's bank debt.

From time to time, Ember may enter into agreements to receive fixed prices on its natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, Ember will not benefit from such increases.

Technology Risk

The Company relies on information technology to manage its day to day operations and perform reporting obligations including the preparation of financial statements, reporting to joint partners, and various governments in relation to payment of royalties and taxes. While the Company takes precautions to safeguard data, there is a risk that information systems could be corrupted or fail resulting in damage and cost to the Company.

Permits and Licences

Many of Ember's operations require licences and permits from various governmental authorities. There can be no assurance that Ember will be able to obtain all necessary licences and permits that may be required to carry out exploration and development at its projects in a timely manner or at all.

Foreign Currency Exposure

From time to time Ember may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared with the United States dollar, or the risk of increased repayments on United States dollar denominated debt if the Canadian dollar declines in value compared to the United States dollar.

Title to Properties

Although title reviews are completed according to industry standards prior to the purchase of most natural gas producing properties, or the commencement of drilling wells as determined appropriate by management, these reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat a claim of Ember, which could result in a reduction of the revenue received by the Company.

Reserve Estimates

There are numerous uncertainties inherent in estimating economically recoverable quantities of natural gas reserves (including natural gas liquids) and cash flows to be derived from these reserves, including many factors beyond the control of Ember. These estimates include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of natural gas, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions are based on price forecasts in use at the date the relevant evaluations were prepared, and many of these assumptions are subject to change and are beyond the control of Ember. Actual production and cash flows derived from reserves will vary from these evaluations, and such variations could be material.

Reserve Replacement

Ember's future natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Ember may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in reserves will depend on Ember's ability to develop any properties it may have from time to time, and on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Ember's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of natural gas.

To mitigate this risk, Ember has assembled a team of experienced technical professionals who have expertise in operating and exploring areas which the Company has identified as being the most prospective for increasing Ember's reserves on an economic basis.

Substantial Capital Requirements and Liquidity

Ember may have to make substantial capital expenditures for the acquisition, exploration, development and production of natural gas reserves in the future. If revenues or reserves decline, Ember may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require Ember to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects.

Issuance of Debt

From time to time Ember may enter into transactions to acquire assets or shares of other corporations. These transactions may be financed partially or wholly through debt, which may increase debt levels above industry standards. Ember's articles and by-laws do not limit the amount of indebtedness it may incur. The level of Ember's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Environmental Regulation

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide and other greenhouse gases ("GHGs"). On October 19, 2006, the Canadian Federal Government introduced into Parliament the Clean Air Act (Bill C-30) and released its accompanying Notice of Intent to Develop and Implement Regulations and Other Measures to Reduce Air Emissions, (the "Notice"). Bill C-30 and the Notice are intended to reflect the Government's "made in Canada" approach to Canada's Kyoto Protocol obligations and reduce criteria air pollutants and GHGs emissions in Canada.

Bill C-30 does not expressly include emission reduction targets for industrial sectors. However, the Notice provides for sector emission intensity-based targets for GHGs to come into effect by the end of 2010, and long-term GHGs emission reduction targets from 2003 levels by 2050. The National Round Table on the Environment and Economy is charged with advising the government on these targets. Future emission reduction targets and emission intensity targets, together with provincial emission reduction requirements contemplated in Alberta's Climate Change and Emissions Management Act, or emission reduction requirements in future regulatory approvals, may require the reduction of emissions or emissions intensity from the Company's operations and facilities.

The reductions may not be technically or economically feasible for the Company and the failure to meet such emission reduction requirements may materially adversely affect the Company's business and result in fines, penalties and the suspension of operations. As well, equipment from suppliers which can meet future emission standards may not be available on an economic basis and other methods of reducing emissions or emission intensity to required levels in the future may significantly increase operating costs or reduce output.

There is a risk that the federal and/or provincial governments could pass legislation that would tax such emissions or require, directly or indirectly, reductions in such emissions or emission intensity produced by energy industry participants for which Ember may be unable to mitigate. Mitigation of the risk of future legislative or regulatory limits on the emission of GHGs may include the acquisition of emission reduction or off-set credits from third parties. However, emission reduction or off-set credits may not be available for acquisition by Ember or may not be available on an economic basis and may not be recognized or qualify under future legislative or regulatory regimes as mitigation for the emission of GHGs by the Company.

Corporate Matters

To date, Ember has not paid any dividends on its outstanding Common Shares. Certain of the directors and officers of Ember are also directors and officers of other oil and gas companies involved in natural resource exploration and development, and conflicts of interest may arise between their duties as officers and directors of Ember, as the case may be, and as officers and directors of such other companies.

Reliance on Key Personnel

The success of Ember is largely dependent upon the performance of its management and key employees. Ember does not have any key man insurance policies and, therefore, there is a risk that the death or departure of any member of management or any key employee could have a material adverse affect on the Company. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of the business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of Ember's management.

ADVISORIES

Disclosure Controls and Procedures

The Company has established disclosure controls and procedures to ensure timely and accurate preparation of financial and other reports. Disclosure controls and procedures are designed to provide reasonable assurance that material information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations, and that information required to be disclosed is accumulated and communicated to the appropriate members of management and properly reflected in the Company's filings. The Chief Executive Officer and the Chief Financial Officer oversee this evaluation process and have concluded that the design and operation of these disclosure controls and procedures are adequate and effective in ensuring that the information required to be disclosed by the Company in reports filed with the Canadian Securities Administrators is accurate and complete and filed within the time periods required. The Chief Executive Officer and Chief Financial Officer have individually signed certifications to this effect.

Internal Control over Financial Reporting

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. There is no change in the Corporation's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting. Management, including the Chief Executive Officer and the Chief Financial Officer, do not expect that the Company's disclosure controls or the Company's internal controls over financial reporting will prevent or detect all error or fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Given the Company's limited staff level, certain duties within the accounting and finance department cannot be properly segregated. However, none of the segregation of duty deficiencies resulted in a misstatement to the financial statements as the Company relies on certain compensating controls, including substantive periodic review of the financial statements and other information by the Chief Executive Officer and Audit Committee. This weakness is considered to be a common area of deficiency for many smaller public companies in Canada.

ADDITIONAL INFORMATION

Additional information relating to Ember is filed on SEDAR and can be viewed at **www.sedar.com**. This information includes the Company's Annual Information Form. Information can also be obtained by contacting the Company at Ember Resources Inc., Suite 800, 521 – 3rd Avenue, SW, Calgary, Alberta, Canada T2P 3T3. Information is also accessible on the Company's website at **www.emberresources.com**.

MANAGEMENT'S REPORT

The accompanying financial statements of Ember Resources Inc. are the responsibility of management. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. Financial information contained throughout the annual report is consistent with these financial statements.

Management has overall responsibility for internal controls and has developed and maintains a system of internal controls that provides reasonable assurance that all transactions are accurately recorded, that the financial statements realistically report the Company's operating and financial results and that the Company's assets are safeguarded. The policy of the Company is to maintain the highest standard of ethics in all its activities and it has a written code of business conduct.

The Company's Board of Directors has approved the information contained in the financial statements. The Board of Directors fulfills its responsibility regarding the financial statements mainly through its Audit Committee, which has a written mandate that complies with the current requirements of Canadian securities legislation. The Audit Committee meets at least on a quarterly basis.

Ernst & Young LLP, an independent firm of chartered accountants, was appointed by a vote of shareholders at the Company's last annual meeting to audit the financial statements and provide an independent opinion.

Doug Dafoe
Chief Executive Officer and Chairman of the Board

Bruce Ryan
Vice President Finance and Chief Financial Officer

March 17, 2008

AUDITORS' REPORT

TO THE SHAREHOLDERS OF EMBER RESOURCES INC.

We have audited the balance sheets of Ember Resources Inc. (the "Company") as at December 31, 2007 and 2006, and the statements of net income (loss), comprehensive income (loss) and retained earnings (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Calgary, Canada

March 17, 2008

($ thousands)	As at December 31, 2007	As at December 31, 2006
ASSETS *(note 3)*		
Current assets		
Accounts receivable	$ 4,070	$ 4,430
Prepaid expenses	282	241
	4,352	4,671
Property and equipment *(note 2)*	102,193	77,739
Future income taxes *(note 6)*	1,770	–
	$ 108,315	$ 82,410
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 5,434	$ 6,876
Bank loan *(note 3)*	18,599	8,890
	24,033	15,766
Asset retirement obligation *(note 4)*	3,084	2,527
	27,117	18,293
Commitments *(note 9)*		
SHAREHOLDERS' EQUITY		
Share capital *(note 5)*	77,956	62,894
Contributed surplus *(note 5)*	5,588	3,613
Deficit	(2,346)	(2,390)
	81,198	64,117
	$ 108,315	$ 82,410

See accompanying notes to financial statements

On behalf of the Board:

J.W. Peltier
Director

Dennis Balderston
Director

STATEMENTS OF NET INCOME (LOSS), COMPREHENSIVE INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT)

($ thousands, except per share amounts)	**Year ended December 31, 2007**	Year ended December 31, 2006
REVENUE		
Natural gas sales	**$ 13,338**	$ 10,414
Royalties	**(917)**	(1,057)
Interest income	**-**	249
	12,421	9,606
EXPENSES		
Operating	**2,822**	2,615
Transportation	**420**	365
Interest	**583**	41
General and administrative	**2,502**	1,958
Stock-based compensation expense *(note 5)*	**1,317**	1,928
Depletion, depreciation and accretion	**7,243**	6,211
	14,887	13,118
Loss and comprehensive loss before taxes	**(2,466)**	(3,512)
Future income tax recovery *(note 6)*	**2,510**	-
Net income (loss) and comprehensive income (loss)	**44**	(3,512)
Retained earnings (deficit), beginning of year	**(2,390)**	1,122
Deficit, end of year	**$ (2,346)**	$ (2,390)
Net income (loss) per share *(note 5)*		
Basic and diluted	**$ -**	$ (0.12)

See accompanying notes to financial statements

($ thousands)	Year ended December 31, 2007	Year ended December 31, 2006
OPERATING ACTIVITIES		
Net income (loss)	$ 44	$ (3,512)
Add items not involving cash		
Depletion, depreciation and accretion	7,243	6,211
Stock-based compensation expense	1,317	1,928
Future income tax recovery	(2,510)	–
Abandonment expenditures	(21)	(45)
Change in non-cash working capital related to operating activities *(note 8)*	247	532
	6,320	5,114
FINANCING ACTIVITIES		
Proceeds on issuance of share capital, net of share issuance costs	14,961	–
Bank loan advances	9,709	8,890
Repurchase and cancellation of private placement shares *(note 5)*	–	(7)
	24,670	8,883
INVESTING ACTIVITIES		
Short-term investments	–	10,000
Additions to property and equipment	(20,987)	(34,842)
Acquisition of property and equipment	(8,633)	–
Change in non-cash working capital related to investing activities *(note 8)*	(1,370)	(6,751)
	(30,990)	(31,593)
Decrease in cash and cash equivalents	–	(17,596)
Cash and cash equivalents, beginning of year	–	17,596
Cash and cash equivalents, end of year	$ –	$ –

See accompanying notes to financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Basis of Presentation

Ember Resources Inc. ("Ember" or the "Company") was incorporated on June 3, 2005 under the Business Corporations Act (Alberta), and commenced commercial operations on July 7, 2005 following the completion of a Plan of Arrangement (the "Arrangement") involving Thunder Energy Inc. ("Thunder"), Mustang Resources Inc. ("Mustang"), Forte Resources Inc. ("Forte"), Thunder Energy Trust, and the Company. Pursuant to the Arrangement, Ember acquired certain natural gas coalbed methane properties previously held by Thunder. At the time of this transaction, Ember and Thunder were related companies resulting in the transfer of assets to Ember from Thunder at their carrying values.

Ember is engaged in the acquisition of, exploration for and development and production of natural gas coalbed methane properties in Alberta. The financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

Joint Operations

Exploration, development, and production activities may be conducted jointly with others and, accordingly, the Company only reflects its proportionate interest in such activities.

Measurement Uncertainty

The amounts recorded for depletion and depreciation of natural gas properties and equipment and the provision for asset retirement obligations are based on estimates. In addition, the cost recovery ceiling test is based on estimates of proved reserves, production rates, natural gas prices, future costs, and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Natural Gas Properties

The Company follows the full cost method of accounting for natural gas operations. All costs related to the acquisition of, exploration for and development of natural gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, carrying charges of non-producing property, costs of drilling both productive and non-productive wells, and the cost of natural gas production equipment. The Company also capitalizes direct general and administrative costs related to acquisition and development activities.

Gas assets are evaluated on an annual basis to determine that the costs are recoverable and do not exceed the fair value of the properties. The costs are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves (which includes future development costs) and the lower of

cost and market of unproved properties exceed the carrying value of the gas assets. If the carrying value of the gas assets is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties. The cash flows are estimated using the future product prices and costs and are discounted using the risk-free rate.

Proceeds from the disposition of gas properties are credited to the capitalized costs except for dispositions that would change the rate of depletion and depreciation by 20% or more, in which case a gain or loss would be recorded.

The Company capitalizes initial production activities for all Mannville wells to recognize significant de-watering of the coals prior to achieving commercial gas production. Ember believes that a policy of capitalizing these de-watering efforts (including all expenses and incidental revenue) on a well by well basis, is more representative of the costs of bringing these assets on production. Under the policy, certain pre-production costs including expenses and incidental revenue are included in the full cost pool and depleted.

Depletion and Depreciation

Capitalized costs, together with estimated future capital costs associated with proved reserves, are depleted using the unit-of-production method based on estimated gross proved reserves of natural gas as determined by qualified independent engineers. For purposes of this calculation, reserves and production are converted to equivalent units of oil based on relative energy content of six thousand cubic feet of gas to one barrel of oil. Costs of significant unproved properties, net of impairment, are excluded from the depletion and depreciation calculation until it is determined whether or not proven reserves are attributable to the property or impairment occurs.

Other assets are recorded at cost and depreciated over their useful life on a straight line basis using the following rates:

Computer software	2 years
Computer hardware	3 years
Office furniture and fixtures	5 years

Asset Retirement Obligations

The Company records a liability for the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability, there is a corresponding increase in the carrying amount of the related assets known as the asset retirement cost, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows. Actual abandonment expenditures are charged against the abandonment liability.

Revenue Recognition

Revenues from the sale of natural gas are recorded when title passes to an external party.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change is substantively enacted.

Stock-based Compensation Plan

The Company follows the fair value method of valuing stock option grants and Performance Share issues. Under this method, compensation cost, attributable to share options granted and Performance Shares issued to employees, contractors, officers and directors of Ember is measured at fair value at the date of grant and either capitalized or expensed over the vesting period with a corresponding increase to contributed surplus. Capitalized amounts are charged to earnings as depletion over the life of estimated reserves. Upon the exercise of the stock options and the conversion of Performance Shares, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The Company does not incorporate an estimated forfeiture rate for stock options and Performance Shares that will not vest; rather, the Company will account for actual forfeitures as they occur.

Per Share Information

Per share information is calculated on the basis of the weighted average number of Common Shares outstanding during the fiscal period. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted to Common Shares. Diluted per share information is calculated using the treasury stock method which assumes that any proceeds received by the Company upon exercise of in-the-money stock options plus the unamortized stock-based compensation expense would be used to buy back Common Shares at the average market price for the period. Performance Shares (contingently issuable shares) are based on the shares that would be issuable, if the end of the reporting period were the end of the contingency period, and the result would be dilutive.

New Standards

On January 1, 2007, Ember adopted the Canadian Institute of Chartered Accountants (CICA) handbook section 1530 “Comprehensive Income,” section 3251 “Equity,” section 3855 “Financial Instruments – Recognition and Measurement” and section 3865 “Hedges.” These standards result in changes in the accounting for financial instruments and hedges as well as introduce comprehensive income as a separate component of shareholders’ equity. As required, these standards have been adopted prospectively and comparative amounts for the prior periods have not been restated.

(i) Comprehensive income

Comprehensive income is comprised of net earnings or loss and other comprehensive income (OCI). OCI represents the change in equity for a period that arises from unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivative instruments designated as cash flow hedges. Ember does not currently have any transactions that give rise to OCI, therefore Ember's net income (loss) and comprehensive income (loss) are the same amount.

(ii) Equity

This section establishes the standards for presentation of equity and changes in equity during the period. The section requires separate presentation of changes in equity for the period arising from net income, OCI, contributed surplus, retained earnings, share capital and reserves. Accumulated OCI is included in the consolidated balance sheet as a separate component of shareholders' equity.

(iii) Financial instruments

This section establishes standards for the recognition and measurement of financial instruments, which are comprised of financial assets, financial liabilities, derivatives and non-financial derivatives.

A financial asset is cash or a contractual right to receive cash or another financial asset, including equity, from another party or a contractual right to exchange financial instruments with another party under conditions that are potentially favourable. A financial liability is the contractual obligation to deliver cash or another financial asset to another party or a contractual right to exchange financial instruments with another party under conditions that are potentially unfavourable.

A derivative is a financial instrument whose value changes in response to a specified variable, requires little or no net investment and is settled at a future date. An embedded derivative is a derivative that is a part of a non-derivative contract with economic characteristics and risks that are not directly related to that contract. Under this standard, embedded derivatives must be accounted for as a separate financial instrument when certain criteria are met. A non-financial derivative is a contract that can be settled net in cash or another financial instrument.

Under this standard, all financial instruments are initially recorded at fair-value and are subsequently accounted for based on one of five classifications: held for trading, held-to-maturity, other financial liabilities, loans and receivables or available-for-sale. The classification of a financial instrument depends on its characteristics and the purpose for which it was acquired.

A) Held for trading

Held for trading financial instruments are financial assets or financial liabilities that are purchased with the intention of selling or repurchasing in the near term. Any financial instrument can be designated as held for trading as long as its fair value can be reliably measured. A derivative is classified as held for trading unless designated as and considered an effective hedge. Held for trading instruments are recorded at fair value with any subsequent gains or losses from changes in the fair value included in earnings.

Currently, Ember has no held for trading financial instruments.

B) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that Ember has the intent and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. Any gains or losses arising from the sale of a held-to-maturity investment are included in earnings. All of Ember's periodic cash equivalents and short-term investments are designated as held-to-maturity investments.

Currently Ember has no held to maturity investments.

C) Other financial liabilities

Items classified as other financial liabilities would be accounted for at amortized cost using the effective interest method. Any gains or losses in the realization of other financial liabilities are included in earnings.

Currently, Ember has no other financial liabilities.

D) Loans and receivables

Items classified as loans and receivables in Ember's financial statements are accounted for at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in earnings.

The fair value of bank loans, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

E) Available-for-sale

Available-for-sale assets are those financial assets that are not classified as held for trading, held-to-maturity or loans and receivables. Available-for-sale instruments are recorded at fair value. Any gains or losses arising from the change in fair value is recorded in OCI and upon the sale of the instrument or other-than-temporary impairment, the cumulative gain or loss is included in earnings.

Ember has not designated any financial instruments as available-for-sale assets.

(iv) Hedges

The Company may use derivative financial instruments from time to time to hedge its exposure to commodity prices and foreign exchange fluctuations. The Company does not enter into derivative financial instrument contracts for trading or speculative purposes.

The Company may enter into hedges of its exposure to natural gas commodity prices by entering into natural gas swap contracts, options or collars, when it is deemed appropriate. Realized gains and losses on these contracts would be recognized in natural gas revenue and cash flows in the same period in which the revenues associated with the hedged transactions are recognized. Premiums paid or received would be deferred and amortized to earnings over the term of the contract.

Hedge accounting is optional and Ember may designate any qualifying hedging instrument as a hedge for accounting purposes. When hedge accounting is not applied, the derivative financial instrument is recorded on the balance sheet at fair-value and changes in fair value of the derivative instrument are included in earnings. Ember has no current hedging instruments.

To qualify for hedge accounting, the hedging relationship between the hedged item and the hedging instrument must be designated and formally documented at the inception of the hedging instrument. The documentation includes the risk management policy, the relationship between the hedging instrument and the hedged item and whether or not the hedging relationship is effective in offsetting the changes associated with the hedged risk. Effectiveness must be tested on an ongoing basis throughout the life of the hedging relationship. Hedge accounting is discontinued if the hedging relationship is no longer considered effective or is terminated. The hedging relationship can either be measured as a cash flow hedge or a fair value hedge.

Future Accounting Changes

The CICA issued several new accounting standards, section 1400 "General Standards of Financial Statement Presentation", section 1535 "Capital Disclosures", section 3031 "Inventories", section 3064 "Goodwill and Intangible Assets", section 3862 "Financial Instruments – Disclosures", and section 3863 "Financial Instruments – Presentation". These standards become effective for Ember in the first quarter of 2008.

CICA 1400, General Standards of Financial Statement Presentation, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company does not expect the adoption of this standard to have an impact on its financial statements.

Section 1535 requires the disclosure of Ember's objectives, policies and processes for managing capital. This includes qualitative information regarding Ember's objectives, policies and processes for managing capital and quantitative data about what Ember manages as capital.

Sections 3862 and 3863 replace section 3861 "Financial Instruments – Disclosure and Presentation" which revises and enhances financial instruments disclosure requirements and leaves unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how those risks are managed.

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of the International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company is currently evaluating the impact of adopting IFRS.

2. PROPERTY AND EQUIPMENT

December 31, 2007	Cost ($)	Accumulated depreciation ($)	Net book value ($)
Natural gas properties	**116,092**	**(13,954)**	**102,138**
Office and computer	**449**	**(394)**	**55**
Total	**116,541**	**(14,348)**	**102,193**

December 31, 2006	Cost ($)	Accumulated depreciation ($)	Net book value ($)
Natural gas properties	84,626	(7,114)	77,512
Office and computer	445	(218)	227
Total	85,071	(7,332)	77,739

As at December 31, 2007, the depletion calculation excluded unproved properties of $22,929,000 (2006 – $37,030,000). These properties consist of undeveloped land and assets with no assigned reserves that are held for future development. At December 31, 2007 a total of $29,289,000 of future development costs were included in the depletion calculation (2006 – $8,413,000). General and administrative expenses totalling $755,000 (2006 – $654,000) were capitalized during the year. Stock-based compensation costs totalling $759,000 (2006 – $1,099,000) were capitalized during the year.

Application of the ceiling test did not result in an impairment to the carrying value of property and equipment. The prices used in the ceiling test of the Company's natural gas reserves at December 31, 2007 were:

Natural gas – AECO C

Year	($/mcf)
2008	$ 6.51
2009	$ 7.22
2010	$ 7.69
2011	$ 7.70
2012	$ 7.61
Thereafter	Plus 2.0%

3. BANK LOAN

The Company has a $25,000,000 demand revolving operating credit facility with a Canadian chartered bank. The facility is available in two tranches: Tranche A, a revolving $15,000,000 operating facility for general corporate purposes; and Tranche B, a non-revolving $10,000,000 development facility for the development of the Company's Acme property. The credit facility provides that advances may be made by way of direct advances and Bankers' Acceptances for both Tranches, or standby letters of credit/guarantees for Tranche A only.

Direct advances for Tranche A bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances and at the bank's U.S. base rate plus an applicable margin for U.S. dollar advances. The applicable margin charged by the bank is dependent upon the Company's debt to trailing cash flow ratio. The Bankers' Acceptances for Tranche A bear interest at the applicable Bankers' Acceptance rate plus an explicit stamping fee based upon the Company's debt to trailing cash flow ratio. Tranche B borrowing bears interest at the Tranche A rate plus 150 basis points.

The effective interest rate on Tranche A borrowings during the year ended December 31, 2007 was 6.13% (2006 – 6.0%). The effective interest rate on Tranche B borrowings during the year ended December 31, 2007 was 7.82% (2006 – nil). A fixed and floating charge debenture on the assets of the Company have been provided as collateral. At December 31, 2007 the Company had drawn $12,449,000 on Tranche A of the facility and $6,150,000 on Tranche B.

4. ASSET RETIREMENT OBLIGATION

The total future asset retirement obligation was estimated based on the Company's net ownership interest in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities and the estimated timing of the cost to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the retirement obligation is approximately $7,017,000 (2006 – $4,749,000) which will be incurred over the next 14 years with the majority of costs incurred between 2017 and 2018. A credit adjusted risk-free rate of 8.5% and an inflation rate of 2.0% were used to calculate the present value of the asset retirement obligation.

The following table reconciles the Company's asset retirement obligations:

($000s)	**Year ended December 31, 2007**	Year ended December 31, 2006
Balance, beginning of year	**$ 2,527**	$ 1,952
Liabilities incurred	**965**	537
Liabilities settled	**(21)**	(45)
Accretion expense	**227**	186
Revisions	**(614)**	(103)
Balance, end of year	**$ 3,084**	$ 2,527

5. SHARE CAPITAL

Authorized

An unlimited number of voting Common Shares, without nominal or par value

1,400,000 non-voting Performance Shares, without nominal or par value

Issued	Number of shares *(000s)*	Amount *($000s)*
Common Shares		
Outstanding as at December 31, 2005	30,419	62,887
Private placement shares cancelled	(4)	(7)
Outstanding as at December 31, 2006	30,415	62,880
Private placement shares issued	5,660	15,000
Common Shares issued on conversion of Performance Shares	28	2
Reclassed from contributed surplus on conversion of Performance Shares	–	101
Share issue costs	–	(39)
Outstanding as at December 31, 2007	**36,103**	**77,944**
Performance Shares		
Outstanding as at December 31, 2005	1,400	14
Performance Shares cancelled	(30)	–
Outstanding as at December 31, 2006	1,370	14
Performance Shares cancelled	(56)	–
Performance shares converted to Common Shares	(114)	(2)
Outstanding as at December 31, 2007	**1,200**	**12**
Total share capital as at December 31, 2007		**77,956**

Issue of Common Shares and Performance Shares

On March 1, 2007 the Company issued 5,660,000 Common Shares by way of a private placement at $2.65 per Common Share for cash consideration of $15.0 million before share issue costs.

On July 6, 2005, prior to the completion of the Arrangement, Ember completed a private placement of 3,109,000 non-voting Common Shares at a price of $1.93 per share, and 1,400,000 non-voting Performance Shares at a price of $0.01 per share for total gross proceeds of $6,015,000. Pursuant to the Arrangement, the outstanding non-voting Common Shares of Ember were exchanged for Common Shares.

100% of the shares issued pursuant to the private placement were acquired by contractors, employees, officers or directors of the Company, or Thunder ("Deemed Service Providers"). For Deemed Service Providers, Common Shares acquired through the private placement were held in escrow and were released equally on each of January 9, 2006, July 10, 2006, and July 5, 2007. No securities were to be released from escrow after the date the shareholder ceases to be a service provider. Upon the shareholder ceasing to be a service provider,

Ember repurchased for cancellation all of the securities of the shareholder then held in escrow at a price equal to the lesser of $1.93 per share and the market price of the Common Shares of Ember on the last day of trading immediately prior to the shareholder ceasing to be a service provider. During 2007 Ember repurchased and cancelled no private placement shares (4,000 – 2006).

Each Performance Share is convertible into a fraction of a Common Share equal to the closing trading price of the Common Shares on the Toronto Stock Exchange on the day prior to such conversion, less $1.93, if positive, divided by the Common Share closing price. One-third of the Performance Shares may be converted, at the option of the holder, into Common Shares on each of the first, second, and third anniversaries of the closing of the Plan of Arrangement, which was July 6, 2005, provided the shareholder is an Ember service provider at that date. Upon a holder of Performance Shares ceasing to be a service provider, the Company may, subject to applicable law, redeem each Performance Share at a redemption price of $0.01 per share. During 2007 56,000 Performance Shares were redeemed (30,000 – 2006).

Earnings (Loss) Per Share

The following table summarizes the Common Shares used in calculating the earnings (loss) per Common Share:

Weighted average Common Shares *(000s)*	**Year ended December 31, 2007**	Year ended December 31, 2006
Basic and diluted	**35,158**	30,417

Stock Options

Ember's shareholders have approved the Company's stock option plan. The number of Common Shares reserved for options granted under the stock option plan, together with any Common Shares reserved for issuance pursuant to the exercise of the Performance Shares, may not be more than 10% of the aggregate number of the then issued and outstanding Common Shares. As a result, the 3,610,000 shares authorized under the plan are reduced by the 1,200,000 Common Shares issuable on the exercise of the Performance Shares, leaving 2,410,000 available for other share options.

During the third quarter Ember cancelled 410,000 options to certain non-insider employees that had exercise prices ranging from $5.79 to $7.90 and a remaining term of 3.3 to 3.6 years. The same employees were issued 410,000 replacement options with a new term of five years, new vesting provisions, vesting equally over three years commencing from the date of re-grant, and a strike price of $2.25.

During the fourth quarter Ember cancelled 675,000 options to certain officers and directors that had exercise prices ranging from $7.25 to $7.90 and a remaining term of 2.75 to 3.0 years.

Share options issued have a term of five years, and vest equally over a period of three years. At December 31, 2007 outstanding share options had a remaining contractual life of 4.38 years (4.03 years – 2006), and were exercisable at prices ranging from $2.19 to $3.59 ($2.55 to $7.90 – 2006). At December 31, 2007 33,000 options and 800,000 Performance Shares had vested and were exercisable (328,000 options and 457,000 Performance Shares – 2006).

The following table sets forth a reconciliation of stock option plan activity through to December 31, 2007.

	Number of options *(000s)*	Weighted average exercise price *($)*
Balance, December 31, 2005	1,140	7.74
Granted	308	5.13
Cancelled	(155)	(7.47)
Balance, December 31, 2006	1,293	7.15
Granted	1,483	2.47
Cancelled	(1,226)	(7.32)
Balance, December 31, 2007	**1,550**	**2.54**

The following table summarizes information regarding stock options at December 31, 2007.

	Options outstanding			Options exercisable	
Exercise price	Number outstanding *(000s)*	Weighted average remaining life *(years)*	Weighted average exercise price *($)*	Number exercisable *(000s)*	Weighted average exercise price *($)*
2.00 to 2.24	50	4.39	2.19	–	N/A
2.25 to 2.49	575	4.68	2.26	–	N/A
2.50 to 2.74	825	4.28	2.63	–	N/A
2.75 to 4.00	100	3.55	3.59	33	3.59
	1,550	4.38	2.54	33	3.59

Stock-based Compensation

Ember incurred stock-based compensation expense during the period from its regular share option plan and ongoing costs from the Performance Share plan.

The following table reconciles the Company's contributed surplus balance:

($000s)	**Year ended December 31, 2007**	Year ended December 31, 2006
Opening balance	**$ 3,613**	$ 586
Stock-based compensation expensed	**1,317**	1,928
Capitalized to property and equipment	**759**	1,099
Reclassed to share capital on conversion of performance shares	**(101)**	–
Ending balance	**$ 5,588**	$ 3,613

The fair value of each option and Performance Share granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

	Year ended December 31, 2007	Year ended December 31, 2006
Risk free interest rate *(%)*	**3.93 – 4.64**	3.84 – 4.42
Expected life stock options *(years)*	**4.00**	4.00
Expected volatility *(%)*	**57 – 60**	60 – 67
Dividends	**Nil**	Nil
Results *(per share)*		
Fair value of options granted	**$ 1.11**	$ 2.56

6. TAXES

Future Income Tax Recovery

The combined provision for taxes in the statements of net income (loss), comprehensive income (loss) and retained earnings (deficit) reflects an effective tax rate which differs from the expected statutory tax rate. Differences were accounted for as follows:

($000s)	**Year ended December 31, 2007**	Year ended December 31, 2006
Loss before income taxes	**$ (2,466)**	$ (3,512)
Statutory income tax rate	**32.12%**	34.50%
Expected income tax recovery	**$ (792)**	$ (1,212)
Add (deduct):		
Non-deductible Crown charges	**–**	89
Resource allowance	**–**	(20)
Stock-based compensation	**423**	665
Recognition of previously unrecorded tax benefit from temporary differences	**(3,552)**	–
Rate adjustments and other	**1,411**	1,099
	(2,510)	621
Less: valuation allowance	**–**	(621)
Future income tax recovery	**$ (2,510)**	$ –

Future Income Taxes

($000s)	Balance as at December 31, 2007	Balance as at December 31, 2006
Property and equipment	$ 340	$ 2,991
Asset retirement obligation	796	770
Attributed Canadian royalty income	109	–
Share issue cost	429	696
Tax loss carry-forwards	6,310	5,309
	7,984	9,766
Less: valuation allowance	(6,214)	(9,766)
Future income tax asset	$ 1,770	$ –

As at December 31, 2007, the Company had tax deductions of approximately $129,237,000 that are available to shelter future taxable income ($105,710,000 – 2006). Included in this amount are non-capital losses totalling $24,458,000 ($17,419,000 – 2006). Of this amount $2,252,000 expires in 2015, $9,176,000 expires in 2026, and $13,030,000 expires in 2027.

7. FINANCIAL INSTRUMENTS

The carrying value of accounts receivable, accounts payable and bank loan approximated their fair values as at December 31, 2007 due to the immediate or short-term maturity of these instruments and the floating interest rate on the bank loan.

Credit Risk

Ember's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal credit risks. A portion of Ember's production is currently sold through a joint venture partner to purchasers under normal industry sale and payment terms; the balance is sold to purchasers also under normal industry terms. Ember generally grants unsecured credit but routinely assesses the financial strength of its customers and joint venture partners.

8. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital were comprised of the following:

($000s)	Year ended December 31, 2007	Year ended December 31, 2006
Accounts receivable	**$ 360**	$ (1,114)
Prepaid expenses	**(41)**	(96)
Accounts payable and accrued liabilities	**(1,442)**	(5,009)
Net change	**$ (1,123)**	$ (6,219)
Net change by activity:		
Operating	**$ 247**	$ 532
Investing	**(1,370)**	(6,751)
Net change	**$ (1,123)**	$ (6,219)
Cash interest paid	**$ 509**	$ 11
Cash taxes paid	**$ –**	$ 36

9. COMMITMENTS

In May 2007, the Company entered into an agreement with AltaGas Operating Partnership ("AltaGas") for the processing of natural gas in Ember's Acme area located at Acme, Alberta. The agreement requires AltaGas to construct gathering and processing facilities to enable the delivery and sale of natural gas by Ember and other third parties, in exchange for a commitment from Ember to pay the greater of, a fee calculated as monthly volumes at an established rate per mcf, or an established minimum monthly processing fee. The minimum monthly fee is based on an estimate of gas throughput ranging from 5 to 9 mmcf/d. The commitment ends on the earlier of November 1, 2013 or the delivery of a total of 16.8 bcf. Committed payments are outlined in the table below as processing commitments.

As at December 31, 2007 ($000s)	Processing commitments	Office lease	Total
2008	**$ 1,926**	**$ 294**	**$ 2,220**
2009	**2,697**	**221**	**2,918**
2010	**3,419**	**–**	**3,419**
2011	**3,452**	**–**	**3,452**
2012	**3,418**	**–**	**3,418**
2013	**2,483**	**–**	**2,483**
Total	**$ 17,395**	**$ 515**	**$ 17,910**

EMBER'S BOARD OF DIRECTORS IS COMMITTED TO A HIGH STANDARD OF CORPORATE GOVERNANCE PRACTICES. THE BOARD BELIEVES THAT THIS COMMITMENT IS NOT ONLY IN THE BEST INTERESTS OF SHAREHOLDERS BUT THAT IT ALSO PROMOTES EFFECTIVE DECISION MAKING AT THE BOARD AND CORPORATE LEVEL.

The Board and the Company are of the view that their approach to corporate governance is appropriate and complies with the objectives and guidelines relating to corporate governance set forth in National Instrument 58-201 – Corporate Governance Guidelines. In addition, the Board monitors and considers for implementation by the Corporation the corporate governance standards proposed by various Canadian regulatory authorities, or which are published by various non-regulatory organizations in Canada.

Ember's Board is comprised of nine directors with a wide range of experience. Seven of the nine directors are independent as defined by National Instrument 58-101 – Disclosure of Corporate Governance Practices. The Board has appointed four committees to oversee audit, reserve, governance, health, safety and environment, Board composition and compensation matters.

Ember's Board and its committees have adopted and approved the following documents which provide guidance to its governance activities:

- Audit Committee Charter
- Board of Directors Terms of Reference
- Code of Business Conduct
- Code of Ethics for Officers
- Corporate Disclosure Policy
- Corporate Governance, Board Nomination and Compensation Committee Charter
- Health, Safety and Environment Committee Charter
- Lead Director Mandate
- Policy on Trading in Securities by Directors, Officers and Employees
- Position Description CEO
- Reserves Committee Charter
- Whistleblower Policy

For more specific information on Ember's corporate governance practices, please refer to the Information Circular prepared for the Company's Annual Meeting to be held on Wednesday, May 21, 2008 and which is available on the Company's website at **www.emberresources.com**.

BOARD OF DIRECTORS

Doug Dafoe, CA
Chairman and
Chief Executive Officer
Ember Resources Inc.

Terry Meek, P. Eng.
President and
Chief Operating Officer
Ember Resources Inc.

Dennis Balderston, CA (1)
Independent Businessman

Colin Boyer, P.Eng. (2) (4)
Independent Businessman

Fox Benton III, MBA (1) (3)
Independent Businessman

Thomas Drolet, P.Eng. (3)
Independent Businessman

Jack Peltier (1) (2) (4)
President
Ipperwash Resources Inc.

Jeff van Steenbergen, P.Eng. (2) (4)
General Partner
Kern Partners

Richard Todd (3)
Chairman, Chief Executive Officer
OSUM Oil Sands Corp.

OFFICERS

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Chairman and
Chief Executive Officer

Terry Meek, P.Eng.
President and
Chief Operating Officer

Bruce Ryan, CA, CFA
Vice President, Finance
and Chief Financial Officer

Tom Zuorro, B.Comm.
Vice President, Land

Ken Ronaghan, P.Eng.
Vice President, Engineering

Steve Gell, P.Eng.
Vice President, Production

MANAGERS

Art McMullen, P.Eng.
Manager, Reservoir

Jim Kelly, P.Eng.
Manager, Operations

Quinton Rafuse
Manager, Geology

Peter Lawrence, CMA
Manager, Accounting

AUDITORS

Ernst and Young LLP

BANKERS

Bank of Montreal

LEGAL COUNSEL

Macleod Dixon LLP

RESERVES ENGINEERS

Sproule Associates Limited

McDaniels & Associates Consultants Ltd.

TRANSFER AGENT AND REGISTRAR

Olympia Trust Company

STOCK EXCHANGE

Toronto Stock Exchange
Trading Symbol: EBR

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ANNUAL GENERAL MEETING

Ember Resources will hold its Annual General Meeting at 3:00 p.m. local time, May 21, 2008, at The Metropolitan Centre, Royal Meeting Room 333 – 4th Avenue SW, Calgary, Alberta.

Shareholders are encouraged to attend. Those unable to attend are asked to complete and return their Form of Proxy.

ABBREVIATIONS

bbl(s)	barrel(s)
bcf	billion cubic feet
boe	barrel of oil equivalent (6 mcf = 1 bbl)
CBM	coalbed methane
mbbls	thousand barrels
mmcf	million cubic feet
NGL	natural gas liquids
OGIP	Original Gas-In-Place
/d	per day
tcf	trillion cubic feet
1P	proved
2P	proved + probable
3P	proved + probable + possible

COMMITTEES

(1) *Audit Committee*
(2) *Reserves Committee*
(3) *Compensation, Corporate Governance and Nominating Committee*
(4) *Health, Safety and Environment Committee*

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